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Yeltsin's victory

A nation divided Page 2

Facing up to a hostile parliament Page 15

Diplomacy needed

Keeping the peace in former Soviet states Page 14

Gatt talks

Haggling goes on to the end Page 4

FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY DECEMBER 14 1993 D8523A

Air France chief outlines plans to stem losses

Christian Blanc, left, who took over as Air France chairman six weeks ago, announced a series of cost-cutting measures to stem losses at the state-owned airline which he says "does not earn enough, spends too much" and has lower productivity than its competitors.

Blanc has set a target of matching the performance of Lufthansa, its German rival, by 1997. In a statement to employees, Mr Blanc said Air France would report losses of about FFr7.5bn ($1.27bn) this year. Page 16; Elf sell-off, Page 18

Ex-minister admits illicit cash: Italy's former Socialist justice minister, Claudio Martelli, admitted illicitly receiving L500m ($300,000) from Carlo Sama, former managing director of Ferruzzi-Montedison, for the 1992 general elections. Page 3

GM clinches Polish venture: General Motors, US carmaker, reached agreement to begin car assembly in Warsaw in a joint venture with FSO, Polish state-owned carmaker. Page 4

International Business Machines is to sell Federal Systems Company, a division providing computers systems and services, to Loral, US defence contractor, for $1.58bn cash. Page 17

Fisons chief ousted: Cedric Scroggs was removed as chief executive of Fisons, troubled UK pharmaceuticals and scientific equipment group after a slide in its estimated profit this year from £200m ($149m) to break-even. Page 17; Lex, Page 16; SmithKline Beecham drug approval, Page 25; Capital Markets, Page 21

Clinton attacks health costs: President Bill Clinton warned it would prove impossible to cut social welfare spending without first attacking healthcare costs. Page 7

Northern League seeks allies: Italy's populist Northern League, which performed well in recent local elections, is to work for a "liberal-democrat" alliance that includes media magnate Silvio Berlusconi. Page 16

Land-buying urged in Japan: Public funds should be used to stimulate property market purchases, said Gaishi Hiraiwa, chairman of the Keidanren, Japan's top business federation. Page 6

EIB backed for big loans: The European Union should turn first to the European Investment Bank for loans to fund heavy investment in transport, energy and telecommunications networks, finance ministers agreed. Page 16

UK nuclear decision 'in 48 hours': A decision to allow the Thorp nuclear reprocessing plant at Sellafield, northern England, to go ahead is expected to be announced within 48 hours. Legislators from Japan, the UK and US have been campaigning to block the go-ahead. Page 8

Hungarian banks rescued: A $1.4bn two-stage bailout for 10 commercial banks whose capital has been wiped out by loan losses was announced by the Hungarian government. Page 17

Tobacco ban review: The European Commission is to re-examine its proposed ban on tobacco advertising, after EU health ministers failed to agree on the directive. Page 5

Chinese air safety call: China's civil aviation chief has urged drastic measures to improve air safety after a spate of hijackings and three air crashes this year. Page 6

Divisions at top in N Korea: North Korea's old guard affiliated to President Kim Il-sung, is involved in a power struggle with supporters of Kim Jong-il, his son and designated successor, say western analysts. Page 6

Bank's tough line on rates: The Bank of England gave its clearest warning yet that Britain would raise interest rates if sharp price rises by companies threatened to push inflation through the top of its target range. Page 8; Bank shake-up planned, Page 8; Output prices steady, Page 8; Lex, Page 16

Win for Portuguese Socialists: Portugal's opposition Socialists defeated the ruling Social Democrats in nationwide municipal elections. Page 3

Boy, 11, shot dead in S Africa: White gunmen shot dead a black man and an 11-year-old boy west of Johannesburg.

STOCK MARKET INDICES

FT-SE 100:	3254.6	(-6.7)
Yield	3.63	
FT-SE Eurotrack 100	1416.03	(+0.42)
FT-A All-Share	1601.33	(-0.1%)
Nikkei	17,327.33	(+69.90)
New York lunchtime		
Dow Jones Ind Ave	3737.28	(-2.79)
S&P Composite	463.26	(-0.67)

US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.105%
Long Bond	100¼
Yield	6.226%

LONDON MONEY

3-mo Interbank	5⅜%	(same)
Liffe long gilt future:	Dec 119 11/32	(Dec119⅛)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$13.90	(13.82)

Gold

New York Comex	$387.0	(383.9)
London	$386.4	(382.75)

STERLING

New York lunchtime:		
$	1.491	
London:		
$	1.4905	(1.495)
DM	2.5425	(2.54)
FFr	8.7025	(8.6975)
SFr	2.185	(2.1775)
Y	162.5	(163.25)
£ Index	81.5	(same)

DOLLAR

New York lunchtime:		
DM	1.705	
FFr	5.8335	
SFr	1.4657	
Y	108.075	
London:		
DM	1.705	(1.699)
FFr	5.835	(5.8175)
SFr	1.466	(1.4565)
Y	108.95	(109.15)
$ Index	66.8	(66.7)

Tokyo close Y 108.04

Austria	Sch30	Greece	Dr500	Lux	LFr65	Qatar	QR12.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45		
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00		
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta210		
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15		
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20		
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00		
France	FFr9.00	Kuwait	Fils.600	Poland	Zl 32,000	Tunisia	Din1.250		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L8000		
						UAE	Dh11.00		

Newly independent Baltic states to hold summit on election after threat of reoccupation

Russian reformist parties fear neo-fascist landslide

By Leyla Boulton and John Lloyd in Moscow

Russia's reformist parties, shocked at the sweeping gains in Sunday's elections by the neo-fascist Liberal Democrats, begin talks today on forming an "anti-fascist front" to save reforms.

Early results from Far Eastern regions and estimates from European Russia last night showed Mr Vladimir Zhirinovsky's neo-fascist Liberal Democrats with a commanding lead. Mr Gaidar's Russia's Choice came third to the Liberal Democrats and the communists in some regions and second in others.

■ The German parallel Page 2
■ Bitter harvest page 15
■ Editorial Comment Page 15

Russia's election: first results

Pro-reform parties are likely to gain as more results such as Moscow, St Petersburg and other large cities declare.

		% of vote
Anti reform		
Liberal Democratic Party of Russia	Russia's version of a flat-earth, neo-fascist, populist party. Led by a plausible demagogue, Vladimir Zhirinovsky.	24%
Communist Party of Russia	Electoral home for nostalgic party hacks and old faithfuls led by Gennady Zyuganov.	10%
Agrarian Party	Voice of the "red barons" of Russia's collective farms and the rural poor of far flung provinces.	9%
Pro reform		
Russia's choice	Mainstream economic reform party led by Yegor Gaidar which appealed to the voice of reason - and stumbled.	13%
Yabloko	The "Apple" coalition of market reformers led by economist Grigory Yavlinsky and friends - potential coalition partner for Russia's Choice.	8%
Issue parties		
Women of Russia	The fight-for-your-rights party of Russia's over-worked and under-paid women, led by Alvetina Fedulova.	7%

Reuter

Vision of the future: Vladimir Zhirinovsky anticipates poll success

Though voting in European Russia may redress the balance somewhat, early indications of a surge in support for Mr Zhirinovsky have been confirmed.

Mr Yegor Gaidar, leader of the main reformist bloc Russia's Choice and the first deputy prime minister, said the "widest democratic coalition" was necessary "to influence changes in the government which must take place in the next few days".

"It would be a danger to all of humanity if there was the slightest chance of this man (Zhirinovsky) becoming president," he said, adding that even communists would be welcome to join a coalition.

He called for reforms to continue to stop the extremist bandwagon - and said he was "confident" the democrats could muster a majority in the new parliament, due to convene on January 11.

If he proves wrong, the pace of reform will rest entirely in the hands of President Boris Yeltsin, who is empowered by the new constitution to form the govermnnet and dissolve parliament if it disagrees with his choice.

Mr Gaidar's warning reverberated through former soviet republics, territory Mr Zhirinovsky has threatened to occupy. The Baltic states announced they will hold a summit tomorrow to discuss the election result.

In Washington President Clinton said he was pleased at Russia's adoption of a new constitution and "not particularly surprised" at the strong showing of ultra-nationalists.

The German government congratulated "the Rıssian people and President Boris Yeltsin on the good result for the new constitution" although there was obvious concern over the big vote for both nationalists and communists.

Mr Yeltsin, criticised by many reformists for refusing to support them because of his desire to remain above the electoral fray, ignored the criticism.

He greeted the adoption of the constitution as the basis for "our common hope in the resurrection of a great and strong Russia". He pledged that "as president I will stand strongly on the basis of the new constitutiuon, so that, relying on your constitutional choice, I will do all I can to guarantee the irreversibility of the democratic processes, to put a constitutional barrier for all citizens against a reversal of your democratic choice".

Earlier, Mr Vyacheslav Kostikov, Mr Yeltsin's press secretary, had suggested that Mr Yeltsin was prepared to work with the Liberal Democrats – saying that they had a common interest in social protection, patriotism and the revival of Russia.

Mr Zhirinovsky said: "If Yeltsin asks us to form a government, we are ready. If he asks us to join the government, take up two-three ministerial positions, we are ready. If he offers us nothing, we are ready to remain as the largest opposition party and help constructively".

He appeared anxious to moderate his previous hard-line positions - even to the extent of denying previous statements that he intended to re-possess Finland.

Why democracy spells disaster in Serpukhov

By Edward Mortimer in Serpukhov

"If the whole country's voted like our town, the result will be a disaster," said Mr Alexander Kulakov gloomily.

It was 3am yesterday and Mr Kulakov, deputy mayor of Serpukhov, about 100km south-east of Moscow, was surveying the growing piles of ballot papers. His fellow citizens, it was by now clear, had voted in large numbers for the Liberal Democrat party of Mr Vladimir Zhirinovsky, variously described as extreme nationalist or neo-fascist, and had put the Communist party in second place.

In the referendum on President Boris Yeltsin's proposed constitution the Yes and No votes were neck and neck.

Mr Kulakov, immaculate in brown tie, yellow shirt and brown but non-matching jacket and trousers, said he had been a German teacher for 23 years before taking to municipal politics. Although not a member of any party, he proclaimed himself a supporter of Russia's Choice, the party backing Mr Yeltsin and advocating faster economic reform. At Serpukhov town hall, that seemed a lonely thing to be.

Serpukhov is in the heart of the belt of territory encircling Moscow that until last year was out of bounds to foreign visitors because many military bases and industries are sited there. Many inhabitants see themselves as having little to gain and much to lose from rapid political and economic change; and they had used the freedom of a new political system – multi-party democracy – to make that clear. Yet the scrupulous fairness with which local officialdom had embraced that system was undeniable. Mr Kulakov also stood out in the town hall by being one of the very few males in sight. Presiding over the proceedings was the secretary of the municipality, Mrs Zinaida Yakimenka, who gravely accepted the "protocols" or returns brought in by the officials – also women – from polling stations.

One of the last sets to arrive came from the nearby Palace of Culture, carried proudly in procession across the square by Galia Shornikova, the secretary, and Tatiana Suyarkova, the president of that polling station, followed by colleagues carring the actual ballot papers in sealed packages.

Why was this work seemingly a female monopoly? "Because men won't work for these wages," was the good-humoured reply. All involved in the count were employees of a single "construction" company, but became rather coy when asked what exactly it constructed. Mrs Shornikova gave her profession as "quality engineer", Mrs Suyarkova as "head of department".

Russians had voted in the referendum and in four different elections, only one of them (for half the seats in the state Duma or lower house of parliament) clearly pitting rival parties against each other. In the other three – for the regional assembly, the upper house or "federation council" and for the half of the Duma elected in single-member constituencies – few candidates were identified with parties on the ballot paper.

Candidates who did best in Serpukhov were people who had lived and worked in the area. Most of them either had no party affiliation known to those who were counting the votes, or were associated with quite different parties from the ones that did well in the vote for party lists.

One could perhaps qualify Mr Kulakov's remark: if all of Russia voted like Serpukhov, the new parliament may be a disaster, but not because it is clearly dominated by one or two parties. On the contrary, it will contain many people with no clear party affiliation, but mandated to defend local interests. That should be a body wide open to presidential influence, if the president knows how to use it.

Gatt deal may hinge on US demands in audio-visual sector

By David Gardner in Brussels and David Dodwell in Geneva

Successful completion of the Uruguay Round of trade talks last night appeared to hinge on proposals taken to Brussels by Sir Leon Brittan, European Union trade commissioner, detailing US demands on access to Europe's television and film markets.

Sir Leon urged EU foreign ministers meeting in Brussels to endorse the General Agreement on Tariffs and Trade deal. He said it offered unprecedented market openings and the prospect of fair competition in international trade. But he told ministers that the EU should resist the US demands on access to Europe's cinema and television markets.

"We almost had a solution [to the audio-visual controversy] last night, but then they came back with new demands" on the instruction of President Bill Clinton, a senior German official said.

In Geneva, as negotiators awaited news from the EU foreign ministers' meeting, Mr Mickey Kantor, the US trade representative, refused to expand on the proposals he had presented to Sir Leon, nor of how the US would respond if the EU rejected them. He remained adamant that settlement of the audio-visual issue was critical to successful completion of the round.

Although the audio-visual issue continued to block settlement of the round just two days ahead of the deadline, Gatt officials reported hectic progress in all other areas. Settlement of a row over US demands for changes to protect its anti-dumping laws provided an overnight impetus.

One official said that "the gavel had dropped" on almost 97 per cent of the Uruguay Round text. "We have achieved an extraordinary series of agreements in a very short period of time," said Mr Peter Sutherland, director-general of Gatt.

The US audio-visual proposals included calls for US programmes not to be restricted from prime-time viewing; for Europe's broadcast directive not to apply to new technologies; for Europe's royalties on blank tapes to be payable to US as well as European artists, but spent in Europe; and for no restrictions on video-on-request channels.

It was suggested that Sir Leon proposed to EU foreign ministers

Continued on Page 16
World trade, Page 5

Israeli and PLO leaders admit peace deal crisis

By Julian Ozanne in Jerusalem and Mark Nicholson in Cairo

Israel and the Palestine Liberation Organisation faced a potentially serious setback to their peace deal yesterday when they failed to implement the first stage of their agreement.

Both sides admitted they faced a crisis as Israeli troops remained in position in Gaza and Jericho, ignoring the first day of the timetable under which they are to withdraw by mid-April.

Israeli troops were due to begin pulling out of Gaza and Jericho yesterday under the peace accord signed in September.

Three Palestinians were killed in clashes with Israeli troops in Gaza yesterday, including one who attempted to drive an ambulance packed with explosives into an Israeli patrol.

Colonel Shuki Shichrur, deputy military commander of Gaza, said his troops were ready and waiting to withdraw from the strip and could do so within five weeks. However, Israel made not even a symbolic gesture yesterday to mark the start of the process.

Both sides conceded there were

Continued on Page 16
Mood darkens in camps, Page 6

CONTENTS

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Zhirinovsky one-man band in tune with past

Pre-war German parallels are striking, writes Chrystia Freeland

The remarkably strong showing of Mr Vladimir Zhirinovsky's neo-fascist Liberal Democratic party yesterday prompted Mr Yegor Gaidar, architect of Russia's economic reforms, to make a historical comparison which is looming large in the minds of many frightened observers of the country's political scene.

In a domestic radio broadcast Mr Gaidar, who once dubbed Mr Zhirinovsky "a little Hitler", drew parallels between Russia's tenuous political and economic climate and the situation in inter-war Germany which propelled the Nazis to power.

The similarities are certainly striking. Like Adolf Hitler, Mr Zhirinovsky has benefited from his country's simultaneous collapse of political muscle abroad and living standards at home. And like the Nazis, Mr Zhirinovsky's strictly hierarchical, well-organised party, adept at producing rhetoric which appeals to many Russian people, has capitalised on the internecine quarrels among Russian democrats and their failure to woo tired voters with the promise of quick-fix solutions to Russia's woes.

The Liberal Democratic party is very much the creature of Mr Zhirinovsky, its leader. Party enthusiasts sometimes go by the name of "Zhirinovsky's eagles" and the main party broadsheets all bear their chief's name rather than the party's official title. None of the other members are prominent figures in their own right in Russian politics.

However, far from apologising for his organisation's focus on a single man, Mr Zhirinovsky sees it as one of the secrets of his success. "A party should have a single leader, with whom no one can quarrel. This is crucial to party discipline and to our strength," he said in a pre-poll interview.

Unlike the Communist party, which could draw on the extensive network still in place from the days when it ran the Soviet Union, or Russia's Choice, which was effectively the party of government, the Liberal Democrats have had to create a structure from scratch.

Building on the supporters Mr Zhirinovsky first rallied to his side in his unsuccessful bid for the Russian presidency in 1991, the Liberal Democrats swiftly assembled an organisation which depended less on a strong network throughout Russia's regions than it did on their leader's charismatic message.

The Liberal Democrats' principle campaign weapons were highly emotive paid television advertisements and Mr Zhirinovsky's extensive personal appearances at rallies throughout the country.

Party officials yesterday said they had spent Rbs1bn on the campaign which the party treasurer last week said had come from "God himself". He later explained that the funds were entirely based on small contributions of Rbs2,000 and Rbs3000 each from individuals.

Mr Zhirinovsky has benefited, in particular, from pockets of intense support in areas, such as the break-away Abkhazian region in Georgia, where ethnic Russians or small minority groups feel threatened by one of the newly independent post-Soviet states. In places like these his promise to protect ethnic Russians everywhere is compelling.

The remarkable electoral success of the Liberal Democrats is likely to test how a political structure so closely tied to a single man – so effective on the campaign trail – will adapt to the more formal challenges of parliamentary politics.

In marked contrast to the outrageous statements Mr Zhirinovsky issued with evident relish during the campaign, the morning after his unexpected victory was taking pains to position himself as a reasonable man, willing to work within Russia's existing political framework.

Best known for taking unashamedly extremist positions (he promised last week to shoot the presidents of Russia's 5,000 commercial banks), Mr Zhirinovsky is now portraying himself as the great conciliator who can weave a compromise out of the patch-work of Russia's political parties.

In this somewhat incongruous role as Russia's centrist force, Mr Zhirinovsky said that his party would be willing to form a government to serve under President Boris Yeltsin or to take up two or three ministerial posts within a coalition cabinet. Alternately, Mr Zhirinovsky said his confusingly named Liberal Democratic party would be willing to act as "a constructive opposition".

The soul of compromise, Mr Zhirinovsky – who makes no effort to conceal his ambition to become president one day – said he would not oppose Mr Yeltsin if he chose to postpone presidential elections until 1996, nor would his party object to Mr Viktor Chernomyrdin's continued tenure as prime minister. The only post the Liberal Democrats – are scoring between 20 and 26 per cent in projections of the election results – say they will insist upon is chairmanship of the lower house of parliament, the State Duma.

With Mr Yeltsin's chief spokesman yesterday telling Interfax that parts of Mr Zhirinovsky's platform "quite correspond to the social aspects of the president's policies – that is the social policy of the state, patriotism, making Russian great", Russia's beleaguered democrats must now ask themselves who is more dangerous: the demagogic Zhirinovsky of the campaign trail, or the victorious parliamentarian, extending a hand in co-operation.

Outlying regions boost nationalist party

By John Lloyd in Moscow

Early parliamentary election results from regions in Russia's far east yesterday showed a late surge for Mr Vladimir Zhirinovsky's Liberal Democrats, pushing the party ahead in areas distant from power yet suffering the effects of economic reform.

In these regions, separated from Moscow by nine time zones, the nationalist LDP was running at more than double the strength of Russia's Choice – 25 per cent of votes cast as against 12.

The Communists were just behind at 11 per cent and the Agrarians, Yabloko and Women of Russia each at 7 to 8 per cent.

However, as results were coming in from further west, the vote for Russia's Choice and the rural Agrarian party was rising, at the expense of the Liberal Democrats and the Communists.

Results for the first 25 of the 89 regions suggested that the Liberal Democrats had won 24 per cent; Russia's Choice 13 per cent; the Communist party 10 per cent; and the Agarian party 9 per cent.

Nationally, the results are likely to favour the pro-reformists further, because of the stronger support for reform in European Russia, where two-thirds of the population live.

Exit polls in both Moscow and St Petersburg, the largest cities in Russia, showed Russia's Choice was significantly ahead, though elsewhere Mr Zhirinovsky was reported to be in the lead.

Mr Nikolai Ryabov, head of the Central Electoral Commission, yesterday refused to give a "general picture" of the voting patterns.

But he said that about half of the 13 blocs contending for 225 seats in the lower house elected by party lists would not achieve the necessary 5 per cent qualifying total.

He said that "in a range of regions" the LDP was leading, while in "several" others it was in second or third place. The new parliament, he said, would show "a sufficiently wide spectrum of political forces".

The constitution, which required a 50 per cent turnout to be valid and a majority of those voting to be passed, scraped through the first of these barriers, and appeared to have attracted the support of 60 per cent of those voting.

However, in a significant number of regions and republics, the 50 per cent barrier was not passed.

Though that has no significance for the passing of the constitution, it will be a future point of conflict with those areas which are claiming "sovereignty" under their own constitutions.

The "hot spots" will be the North Caucasian republic of Chechnya, where no voting was allowed; the Republic of Tatarstan, where only 13 per cent voted and where no members were elected to the upper house of the parliament; and the region of Sverdlovsk, where Mr Eduard Rossel, the former governor, had attempted to change the region into the Urals Republic and where fewer than 50 per cent voted on the Russian constitution – though Mr Rossel was himself elected to the upper house.

Other important regions where a 50 per cent vote on the constitution was not achieved were the republics of Ingushetia, Udmurtia and Komi; the regions of Kemerovo, Khabarovsk, Chelyabinsk and Perm; and the autonomous district of Khanty Mansisk.

Voters reveal a weariness with politics

By Leyla Boulton in Moscow

Lenin killed off Russia's last attempt at democracy when he sent sailors to dissolve the 1918 Constituent Assembly, saying the "guard is tired". In Sunday's election, it was the voters who told Russia's democratically-minded politicians of their weariness.

This, at least, is the message behind the crushing electoral victory of Mr Vladimir Zhirinovsky, the neo-fascist leader who promises to restore Russia as a great power, to end crime and corruption among selfish officials, and to give every citizen of Russia guarantees of economic well-being.

Rather than an indication of Russians being a nation of warmongering extremists, the result is a snapshot of a sharply divided society with real grievances that need addressing, if not with deeds at least with words.

It shows a society split among the losers and winners of reforms conducted so far – or at least between those who have already lost faith in them and those who are still patiently awaiting their fruits.

Some of the new categories of society, such as entrepreneurs, are more clearly in a single camp than others.

But interviews with dozens of Mr Zhirinovsky's supporters over the past few days show little support for his talk of invading neighbouring countries and reabsorbing former Soviet republics. Most frequently they express a longing for law and order, panic over Russia's economic crisis, a feeling of national humiliation as a result of the Soviet Union's collapse, and a belief that their interests are not being pursued by officialdom.

They range from soldiers and simple-minded workers with low levels of education to educated professionals, such as engineers at defence enterprises, drawn by Mr Zhirinovsky's promises to restore their previous importance to the economy.

One distinct constituency for Mr Zhirinovsky's Liberal Democrats has been the military. Freed of the Communist era obligation to vote as their commanders told them, the army has been strongly attracted by Mr Zhirinovsky's promises to make Russia great again and to give each homeless officer a flat.

For some of the more educated, supporting Mr Zhirinovsky was a calculated protest vote against the ruling authorities. "I know Zhirinovsky means war," says Mr Yuri Bolshakov, the courteous and educated chief designer at a major shipyard. "But only Zhirinovsky will provide genuine opposition which Yeltsin needs."

Some, probably a minority, are motivated by a more distilled chauvinism, like Vladimir, a prosperous waiter at St Petersburg's plush Astoria Hotel which caters mainly to even richer foreigners. He said he believed Mr Zhirinovsky would restore Russians' prestige in their own country. Nikolai, a visiting officer in the Ukrainian army, even said he was happy about Mr Zhirinovsky's success because it might mean Ukraine would be reabsorbed by Russia.

Prisoners in a Moscow jail line up under the gaze of their guards to cast their votes in the weekend election Reuter

For the pro-reform elite, which once considered Mr Zhirinovsky a joke or a nightmare, the result is a direct threat to their aspirations – but also a sign of the need to defend them better.

"It is no doubt a sign of people's lack of education that people believed in Zhirinovsky's simplistic solutions," said Mr Mikhail Vinchel, a consultant who has invested in privatised Russian enterprises. "But at least now the democrats will have a powerful stimulus to unite."

Mr Andrei Chuguevsky, a Russian entrepreneur, said: "We get what we deserve as a society.... Big reforms are always difficult, especially when they are conducted in the absence of political culture. This means that society can be manipulated however you like."

As Mr Anatoly Chubais, the deputy prime minister responsible for privatisation said: "We thought our work would speak for itself."

Not a single reformist leader held a television debate with Mr Zhirinovsky to point out to voters the flaws in his arguments. Nor did TV journalists fill that gap. The result was that Mr Zhirinovsky's assertions went totally unchallenged and he is now reaping the benefits of a brilliant campaign of systematic, consistent, clear, disciplined and entertaining manipulation.

For a nation so professedly weary of politicians, the fact that so many people were sufficiently credulous to believe in Mr Zhirinovsky's promises is also a sign of the heritage of seven decades of communism.

Mr Yuri Vdovin, one of the defeated Russia's Choice candidates in St Petersburg, puts his finger on the reasons for this paradox: "We have been brought up to believe in things like Stalin, communism, and the party – but not to understand them".

How the maverick put his case

Statements made by Mr Zhirinovsky... (unless marked otherwise, all quotes were made in election campaign)

"Russia's soldiers will once again stand guard over the 1975 border of the Soviet Union and once we have put them there they will not move back a single step."

"We took Berlin in 1945 and then gave it back. Now the Germans live well and we live badly. What was the point of taking Berlin. We should have forced millions of Germans to work for us. Then we Russians could have taken things easy."

"Although we're not anti-Semitic we won't tolerate an increase in the strength of Jews."

"The world should think twice before opposing us – after all, is it really desirable to have a third world war?"

"Why should we create suffering for ourselves? We should create suffering for others."

"The Russian people have three choices. We can either choose that which we have now by voting for Gaidar and Yavlinsky, which does not suit many people, or we can choose to go backwards by voting for the communists, which also does not not suit many people. My party represents the third choice."

"In the large cities where the more cultured, better educated, more prosperous classes live we will not do so well. But in the small cities, the rural areas of Russia, among the poor, among the young, among the military personnel, we will be supported."

"Never shall anyone humiliate the Russians" (on his posters.) "You will all be fine with me" (campaign slogan).

"I am waiting in the wings. My moment has nearly arrived." March 1993.

"You are going to defend Iraq, a victim of reckless aggression by America and Israel... You should know you should die for a noble cause... We will blow up a few Kuwaiti ports and aeroplanes plus a few American ships in the Gulf." Speech to armed volunteers he sent to defend his hero Saddam Hussein, January 1993

"I would bomb the Japanese. I would sail our large navy around their small island and if they so much as cheeped I would nuke them... and we Russians haven't forgotten English treachery during the war. You are a small island, so you watch out too," January 1993, when asked by an English reporter what he wanted to do about the long running battle over the Kurile islands.

"Give me a billion dollars and I will become president of Russia." January 1993.

"Seventy or 80 per cent will vote for me in the next elections. Mr Yeltsin is not ready – he is afraid of the Russian people. I am not afraid. I am ready for the next election." May 1992, after last elections.

"If I don't rule, then no matter, let the military. In any case, they would be better than Yeltsin's democrats." December 1991.

Republics jolted by backing for expansionist

By Jill Barshay in Kiev and Chrystia Freeland in Moscow

Former Soviet republics reacted with concern yesterday to the strong support given by Russian voters to the neo-fascist leader, Mr Vladimir Zhirinovsky, who has said Russia should occupy all the territories of the former USSR.

From Ukraine and the Baltic states on Russia's western flank to the Central Asia republics on the south-eastern rim of the Russian Federation, republican leaders expressed their worries about Mr Zhirinovsky's showing.

However, all tempered their fears with hopes of a united, anti-fascist alliance of Russian democrats and a firm rejection of Russian expansionism by the western powers.

The toughest response came from the Baltic states, whose large ethnic Russian minorities make them particularly vulnerable to Mr Zhirinovsky's pledge to defend Russians no matter where they live.

Leaders of the three Baltic states – Latvia, Lithuania and Estonia – plan to meet in Tallinn, the Estonian capital, to develop a common strategy on how to deal with Russia in the aftermath of the elections, a spokeswoman for the Latvian president said.

Adopting strong language laced with references to inter-war Germany, Baltic leaders urged the west to take a firm stance in the face of the possible resurgence of Russian expansionism.

In Kiev, Mr Viktor Stelmakh, a spokesman for the Ukrainian president, said: "Zhirinovsky's success does not portend well for Ukraine.

"In his election campaign, he used demagogic slogans about recreating the Russian Empire and made direct territorial claims on Ukraine."

Foreign ministry officials in Kiev said Mr Zhirinovsky's electoral triumph would make the Ukrainian parliament less likely to give up the nuclear weapons stationed on its territory. Ukraine's failure to surrender the weapons has become a source of mounting concern in the US and threatens to jeopardise the international nuclear non-proliferation treaty.

"Parliamentarians have said there will be no ratification of Start while there's a threat (to Ukrainian independence)," the Ukrainian official said. "Here's concrete proof of a threat from our neighbour. For them it is proof of why we should hold on to the weapons."

Officials from Kirghizia, which was caught up in a domestic political crisis that culminated yesterday with the ousting of the country's entire cabinet, said they were worried by the Russian election results but would wait to see how the parliament shapes up.

Officials in Belarus, one of the most conservative of the former Soviet republics, also expressed concern, while Georgian leaders took comfort in Russia's approval of a new constitution.

● The Russian poll result coincided with Kazakhstan's formal accession to the nuclear non-proliferation treaty. The Kazakh parliament, which had already agreed to give up the portion of the former Soviet nuclear arsenal located on its territory, joined the accord in a session attended by visiting US Vice-President Al Gore.

West sees danger signs but puts on brave face

By Gillian Tett in London, Quentin Peel in Bonn and agencies

The German government yesterday put a brave face on the election results from Moscow, congratulating both "the Russian people and President Boris Yeltsin on the good result for the new constitution".

There was obvious concern, however, over the big vote for both Russian nationalists and communists, with Mr Klaus Kinkel, foreign minister, admitting the result was "surprising".

"It shows that people were exploiting both social protest and doubtless also the identity crisis in Russia after the collapse of the Soviet Union," Mr Kinkel said, reflecting an unease felt across western capitals at the poor performance of the reformist parties – a concern only partly tempered by relief at that Mr Yeltsin's constitution was adopted.

As the news of the scale of the nationalist and communist vote trickled in, Scandinavian countries became the first to voice their alarm. Mr Johan Hoergen Holst, Norwegian foreign minister and potential future secretary general of Nato, warned that the results were a "sign of danger" for many in Europe, with the progress of the nationalists "very frightening".

Mr Carl Bildt, Swedish prime minister, said the results were "disturbing", although he insisted that Russia's progress towards democracy was now "unstoppable".

Meanwhile, Mr Thomas Pickering, US ambassador to Moscow warned the strong support given to Mr Vladimir Zhirinovsky in the elections could provide a long-term political disruption to President Yeltsin, though the approval of his constitution had given Mr Yeltsin a "legal basis to move ahead".

Mr Kinkel warned the result could slow Nato expansion, and Nato officials were wary. Uncertainties about its relationship with Russia were a factor in its decision to slow the pace of Nato expansion, they said.

Finland and Japan, which have been the target of Mr Zhirinovsky's territorial claims, carefully maintained a muted reaction. Far-right parties in France and Germany sent a message of congratulations to Mr Zhirinovsky.

With Mr Zhirinovsky's future role in any government still unclear, the hope in many diplomatic quarters is that the extremist statements made during his election campaign might be toned down in the aftermath of the election.

Meanwhile the international money markets and western business community in Moscow remained philosophical. Businesses already operating in Moscow were accustomed to considerable uncertainty, businessmen said.

Former satellites fearful of renewed imperialism

By Anthony Robinson, East Europe Editor

The strong showing of the neo-fascists, Communists and anti-western proponents of a new Russian Empire, backed by a powerful military, has sent a frisson of nervousness through the recently liberated states of central Europe and the Baltic region.

Only three months ago the Polish electorate felt sufficiently self-assured to vote back into power parties with their roots in the communist past. But foreign and defence ministers of the former Warsaw Pact states have since been urging the west to resist what they see as signs of resurgent Russian imperial designs in central Asia and the Caucasus and the dangers of leaving an ill-defined "buffer zone" between Russia and Germany.

Mr Geza Jeszensky, Hungarian foreign minister, has even spoken against what Budapest perceives as a western policy of "appeasement" of Russia. He called on the Nato powers not to be conditioned by Moscow's restored hostility to any future extension of the Nato security umbrella to the Visegrad 4 states of central Europe.

Such fears were temporarily eased by President Boris Yeltsin's dissolution of the communist-era parliament and storming of the building. But they have re-emerged with the strong showing of anti-reform forces in the new Russian parliament and the approval of a constitution tailor-made for Mr Yeltsin but whose wide powers could conceivably be wielded in the future by Mr Vladimir Zhirinovsky or others like him who emerged strengthened from the weekend poll.

Signs that the Russian military voted strongly in favour of Mr Zhirinovsky and other communist/nationalist candidates are particularly disturbing for Latvia and Estonia who received a pledge from the former government that the last remaining former-Soviet troops would be withdrawn next year. However, Mr Slobodan Milosevic, the Serb leader, has been encouraged by the electoral success of like-minded men in Russia as he himself looks forward to elections next weekend. Serbia is a text book example of what unbridled nationalism and an overwheening military can do to destroy prosperity and liberties.

The hope in central Europe last night, however, was that the final Russian election results would still permit the formation of a government dedicated to continuing the economic reforms required to create the prosperous social base needed to underpin democracy. But central European governments know better than most the difficulty of keeping reform on the tracks in the face of the high unemployment caused by cutting back the old militarised, socialist economy.

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Ruhr plans a challenge for Disney

By Quentin Peel in Bonn

Mickey Mouse may be in trouble in the cultural fortress of France, but Bugs Bunny isn't bothered – he is planning to hit the ground running in neighbouring Germany, in the unlikely surroundings of the industrial Ruhr region.

Warner Brothers, the US entertainment arm of the Time-Warner media empire, and the Nixdorf family, who made their money from Germany's leading computer company, yesterday announced plans to open a DM350m (£138m) "film leisure park" and studio complex at Bottrop, once the heart of a thriving coal mining industry.

Now Bugs Bunny, Batman, and the Gremlins, not to mention the stars of Germany's biggest international war film spectacular, The Boat, will seek to bring some good cheer – and jobs – back to the depressed industrial area.

The leisure park will be on a smaller scale than the troubled Euro Disney theme park outside Paris, but it still amounts to the biggest film industry investment ever undertaken in Germany, according to the delighted state government of North Rhine-Westphalia.

The idea is to combine both a leisure park, with roundabouts, shows and a funfair, with a studio complex for both film and television productions, on the lines of Warner Brothers' Movie World complex in Australia.

The venture is intended to provide 900 jobs in a region badly hit by the collapse of coal mining. Unemployment at Bottrop alone is some 12.3 per cent.

Mr Kurt Schmitz, mayor of the town, greeted yesterday's announcement of "provisional agreement" on the investment with enthusiasm.

The decision amounted to "one of the greatest financial commitments ever undertaken by an individual investor in Bottrop," he declared. "For the town of Bottrop, the Warner Brothers decision is particularly happy, because it means that the efforts of the community to carry on the process of economic, structural change have been given a new impetus." It was all a matter, he said, of transforming an economy dependent on the primary industry of mining, into a blooming landscape of the tertiary sector – the leisure industry.

The North Rhine-Westphalia state government, battered by rounds of redundancies in the traditional coal mining and steel industries, has promised big subsidies to promote the project. Money will come from the state's mining industry development programme, according to Mr Günther Einert, economics minister.

Socialists get poll boost in Portugal

By Peter Wise in Lisbon

Portugal's opposition Socialists yesterday emerged clear victors from Sunday's nationwide municipal elections, inflicting a significant defeat over the ruling Social Democrats of Prime Minister Aníbal Cavaco Silva.

Mr Antonio Guterres, the Socialist leader, said the victory would help establish his party as a viable alternative government.

But he reiterated his pre-election pledge that the Socialists would not call for an early dissolution of parliament based on the municipal results.

The Socialists increased their share of the vote to 36 per cent from 32 per cent previously.

The Social Democrats also increased their share of the vote from 31 per cent in 1989 to 34 per cent.

But Mr Cavaco Silva acknowledged that the party had fallen short of its main aim of wresting control of a majority of the country's 305 municipal councils from the Socialists.

Mr Jorge Sampaio, a Socialist, was re-elected mayor in Lisbon, at the head of a coalition with the hardline Communist party.

This has raised the prospect of a broader Socialist-Communist coalition, which President Mario Soares, a Socialist, is reported to favour.

The Communists polled 12 per cent of the total vote, the same result as in 1989.

During the campaign, Mr Cavaco Silva had said he was alarmed by indications that the president might call an early general election before the next scheduled ballot in October 1995, if the opposition gained a major victory. The Socialists dismissed the prime minister's concern as scare-mongering.

The Socialists strengthened their hold over Portugal's second city, Oporto, where they won with a majority of close to 60 per cent, and maintained control of several other major cities.

The Socialists dominated in industrial areas, whereas the Social Democrats fared best in rural regions.

The prime minister acknowledged that the results from Sunday's poll reflected mid-term dissatisfaction with the government, which is struggling to bring about economic recovery after an estimated 0.5 per cent decline in output this year.

Unemployment and labour unrest are also rising, and reform legislation has brought the government into conflict with doctors, teachers, students and other professional sectors.

Reuter

Mr Jozsef Antall (left) pictured earlier this year with Mr Peter Boross, interior minister, who has been named interim premier

Democratic past shaped Antall's vision of future

By Nicholas Denton in Budapest

Mr Jozsef Antall, the Hungarian prime minister who died of cancer on Sunday at the age of 61, was a man rooted in his country's history.

That is most trivially true in his training and earlier profession as an historian. More meaningfully, he drew strength from an abiding faith in Hungary's democratic traditions inherited in part from his father, a minister in the post-war government, who opposed both Nazis and communists.

His background led him to participate as a young man in the 1956 uprising against Soviet and communist rule. It made almost inevitable his entry into Hungary's political scene when democratisation began in the late 1980s.

In 1989 Mr Antall became leader of the centre-right Hungarian Democratic Forum and in 1990 took a conservative coalition to victory in free elections.

Mr Antall brought to the premiership impeccable credentials as a democrat of the old school. Politics was in his blood. The prime minister, although not an inspiring leader, was a consummate politician: a master of the subtle manoeuvre and the political balancing act.

But Mr Antall took with him from his earlier career a tendency to lecture on Hungary's traditions and that opened him to the charge that he was not just old-fashioned but backward-looking.

Indeed he found it difficult to communicate with the post-communist, materialist Hungarian whose Holy Trinity, it was said, was car, video and weekend cottage. He was far happier meeting west German politicians and playing the statesman.

Nor was he ever comfortable with economic policymaking during a hectic period of free-market reforms. His response to the modern media's aggressive role was prickly at best.

But Mr Antall's historical orientation gave him surer bearings than most other post-communist politicians. As he said in his last national day speech: "Without a past there is no future."

Mr Antall's grounding in Hungary's democratic and western traditions gave him a firm sense of direction during the transition from one-party to multi-party rule and from Warsaw Pact membership towards Nato and the European Union.

Above all, acute awareness of Hungary's 20th century trauma made Mr Antall prize stability. And stability, which seemed an unambitious goal at the euphoric start of the decade, looked a more impressive achievement over time.

Hungary's relative order helped the country attract half of all foreign investment into eastern Europe and distinguish itself from the turbulent states of the Balkans and the former Soviet Union. When Mr Antall died he was the longest serving leader in eastern Europe.

But Hungarians take most of these achievements for granted and the prime minister's popularity declined as sharply as Hungary's economic activity, which stands 20 per cent below the 1990 level.

Mr Antall, ever the historian, laboured under no illusions about electoral gratitude. He came to office calling his the "kamikaze government". He proved ready to sacrifice his own life, too.

Coalition looks likely to govern Andorra

Andorra, the tiny principality wedged on the mountainous Franco-Spanish border, emerged yesterday from its first constitution-based election after more than 700 years of feudalism but found little changed, Reuter reports from Andorra la Vella.

Though Sunday's poll produced no outright winner, the outgoing head of government, Mr Oscar Ribas Reig, was confident the Pyrenean state could pursue reform with a coalition.

Eighty-five per cent of the population of 60,000 is foreign and was ineligible to vote under the new constitution.

Mr Ribas's centre-right Agrupament Nacional Democratic won the largest share of the vote. It gained 26.4 per cent of valid votes in a turnout of 81 per cent, giving it eight seats in the 28-member Consell General de les Valls, Andorra's parliament. Unio Lliberal with 22 per cent, and Nova Democracia with 19.1 per cent gained five each. Coalicio Nacional Andorrana (17.2) and Iniciativa Democratica Nacional (15.3) shared the rest with independents.

Mr Ribas, who had 17 supporters in the outgoing Consell, did not view the situation as a vote of no confidence in his government, comparing Andorra now to Spain in the transition when more than 20 parties contested the first election after General Franco's death in the mid-1970s.

Andorra is seeking to win international acceptance and modernise its anachronistic institutions. It joined the United Nations in August and has applied for membership of the Council of Europe. Key issues facing the new government include a deepening economic crisis. Mr Ribas said the budget deficit this year will reach Pta15.4bn (£75.5m) but so far no one has suggested introducing direct taxation as a remedy.

Martelli admits receiving funds

By Robert Graham in Rome

Mr Claudio Martelli, former Socialist justice minister, yesterday admitted illicitly receiving L500m ($300,480) from Mr Carlo Sama, the former managing director of Ferruzzi-Montedison, for Italy's general elections in 1992.

The admission came while Mr Martelli was giving evidence on the 15th day of the trial of Mr Sergio Cusani, an influential consultant close to the Socialist party. Mr Cusani is accused of bribery and corruption and helping to falsify Montedison group accounts.

According to Mr Martelli, Mr Sama said as he was given the money: "Oh, Claudio, look, this money is mine and from the family, we are like brothers." Mr Sama is married to Alessandra, one of the Ferruzzi founder's daughters.

Mr Sama, who also testified yesterday, admitted for the first time he had given money to Mr Martelli, although the two men gave different accounts of the events.

Mr Martelli, who was justice minister at the time, admitted he should have declared the funds but insisted he thought the money was from the family, not Montedison.

Mr Martelli is now the second former minister to admit illicitly receiving money in the Cusani trial. Neither has been asked to say how the money was spent.

Mr Sama also surprised the court by saying he had given L5bn to L7bn to Mr Bettino Craxi, the then Socialist leader, for the 1992 elections.

In another development, Mr Alfredo Vito, a former Christian Democrat deputy for Naples, has become the first member of parliament to be sentenced in the corruption scandals. As a result of plea bargaining and an agreement to hand back L5.5bn, he got a two-year suspended sentence. Some L4bn will go to a children's fund run by the Naples city council and the rest will be deposited in the Bank of Italy at the discretion of the public prosecutor's office.

NEWS: WORLD TRADE AND EUROPE

The gavel falls on most of Uruguay Round

By David Dodwell, World Trade Editor, in Geneva

The whisper early on Sunday evening that Uruguay Round negotiators had settled a fiercely fought row over a US bid to dilute international restraint on the use of anti-dumping laws was a watershed at the end of an otherwise fraught weekend.

After a low point on Sunday morning when Sir Leon Brittan, the European Union's trade commissioner, talked of a crisis in negotiations with the US, news of a breakthrough on the anti-dumping issue injected optimism. The view among negotiators was that if an issue as apparently intractable as anti-dumping could be resolved, then surely other outstanding disagreements – mainly linked with trade in services – must surely be resolved.

Late yesterday, the US and the EU remained at loggerheads on US access to Europe's film and television markets, while US threats to exempt itself from offering full most-favoured-nation status in financial services remained. But, in the wake of an anti-dumping settlement, the gavel has fallen on most of the Uruguay Round agreement.

A glimpse into how the anti-dumping clash was settled provides insights into the carefully orchestrated fudges that have been needed in recent days to bring the Uruguay Round deal close to completion, and to ensure that lobbies back home see the gains, rather than the losses, that have been involved in the process.

Of the 11 changes demanded by the US to the text of the Uruguay Round anti-dumping agreement – which is intended to provide stricter international discipline on dumping actions at a time of concern over their proliferation – US negotiators will tell their domestic audience that it has scored seven out of 11.

Its key "victory" has been to win agreement over "standards of review", where the US had been protesting at proposed new Gatt powers to re-examine not just the handling of a dumping case, but the facts presented to it.

For opponents of the US proposals, there will be relief that demands for stricter anti-circumvention rules have been rejected. Similarly, the agreement will retain its "sunset" clause forcing a dumping duty to expire after a certain number of years. Concessions have been made to the US, but these do not entitle the US to retain dumping duties indefinitely. More than 10 per cent of US dumping duties have been in place for more than 20 years.

Another important concession to the US has been amendment to the "standing" text which will entitle labour unions as well as companies to bring dumping complaints to the government. US demands that the "de minimis" clause be amended have been agreed. These set levels at which imports are so negligible that allegations of dumping will not be considered. However, the US demand for the 2 per cent threshold to be cut to 0.5 per cent, has been rejected. It will stay at 2 per cent.

"Trying to read this agreement is rather like reading goats' entrails," one dumping negotiator commented. "We will all be looking at the same thing, but the US will tell its domestic audience one thing, and others will tell their domestic lobbies another."

Japan, a fervent opponent of the proposed US changes, was licking its wounds yesterday. One senior negotiator said: "We did not want to touch the original text, so we are not very happy about the outcome. But the political reality is that the US needed support in Congress, so that was a concession we have had to give to them."

He insisted that the compromise outcome "is at least less ambiguous than the original US proposals".

For Gatt negotiators, the compromise is historic: "Every previous deal has had to be imposed on countries with unreconciled disagreements," he said: "This is the first agreed text ever achieved in the area of anti-dumping," one said. Such are the climaxes to a negotiator's day.

Tokyo's policy on rice gives way to reality

Emiko Terazono on weakening traditions and hard-nosed politics

As the Japanese government agonised yesterday before announcing the symbolic opening of the rice market, the country's department stores and supermarkets were clearing their shelves for the annual displays of ceremonial rice cakes for the New Year festivities.

Rice cultivation is still the basis of traditional events in Japan. Each year the emperor plants rice seedlings in his private rice paddy behind the palace walls and offers the crop to the deities in an imperial thanksgiving ritual. White rice cakes and *sake*, a rice wine, are symbols of purity, often used as offerings in Shinto and Buddhist ceremonies.

Japan's roots in rice farming are also given as a reason for its cultural differences with the west. Japanese are said to be cultivators, who plant and harvest a rice crop as a group and share the fruits of their labour. Westerners, the myth goes, are hunter-gatherers, more individualistic and more compulsive in that they eat what they kill.

However, the spiritual links between ordinary Japanese and the imperial family and the farming culture are weakening and young people are becoming ignorant of the symbolism of rice rituals.

In the past years, farmers' groups reached deep into Japan's past to conjure images of the sacred importance of rice and of their role as the custodians of the culture. But the inevitability of imports, and the fading of rice's spiritual significance among ordinary Japanese, have encouraged farmers to flex their muscles in search of a settlement of a material kind.

For the rice farmers who drove their tractors around Tokyo last week the interest was more in the amount of compensation than the protection of a tradition.

The argument against rice imports has also been supported by some environmentalists who claim that the change in landscape that would result from a reduction in the number of rice paddies would cause flooding during the mid-year rainy period. Consumer groups, who oppose post-harvest fungicide and pesticide treatment, believe foreign rice is unsafe.

For politicians dependent on the rural vote, compensation for farmers is crucial if they are to maintain their appeal to the electorate. The size of the proposed imports – 4 to 8 per cent of domestic consumption over the six years from 1995 – is so little that the rural landscape is more likely to be affected by the modern civic centres and car parks demanded by politicians as compensation for their areas.

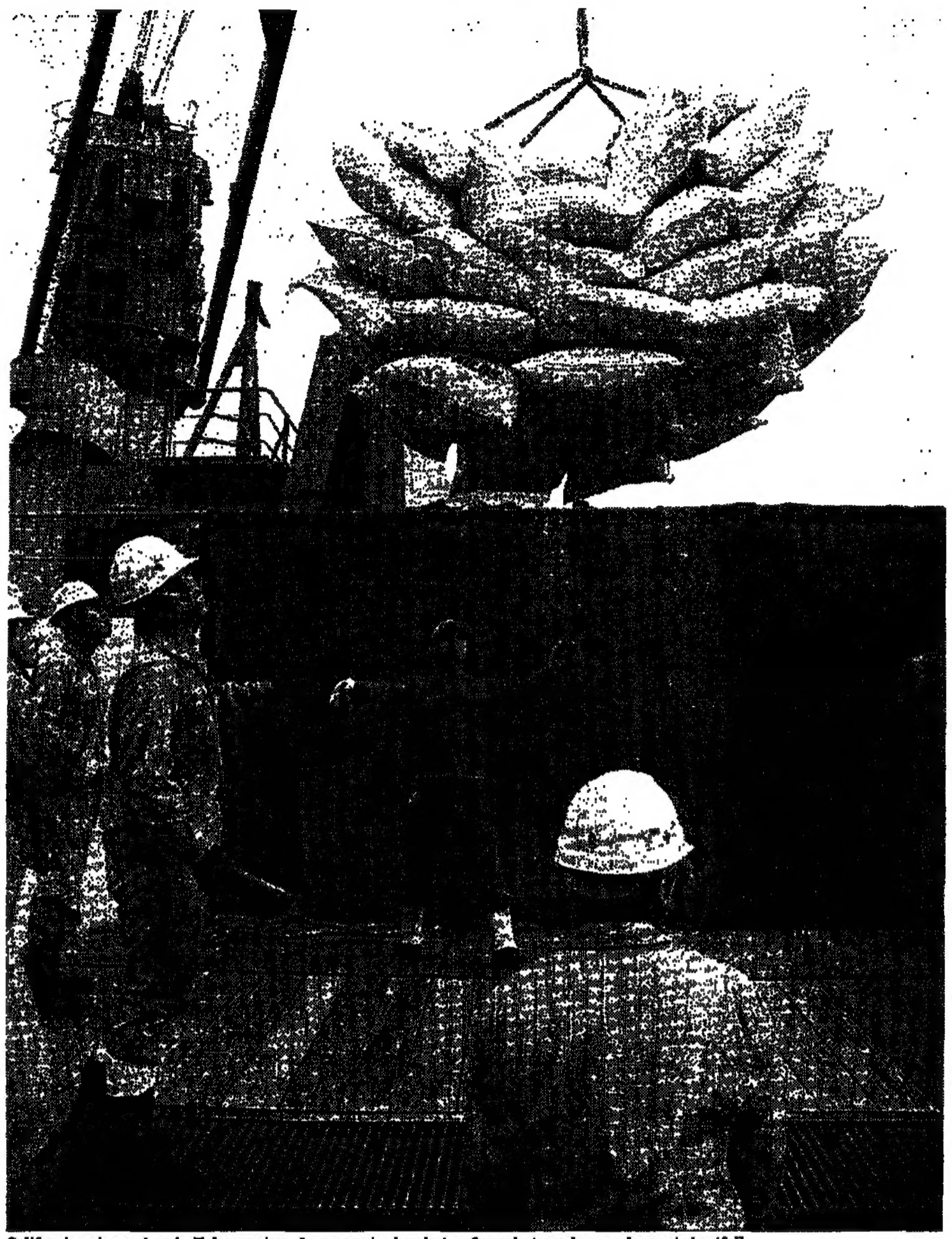
Theatricals for domestic consumption have also played their part in Japan's agonising over the rice issue. Mr Tsutomu Hata, foreign minister, flew to Geneva last weekend in a last-minute protest. He followed a group of MPs belonging to the Liberal Democratic party and Social Democratic party from rice farming regions.

The government, meanwhile, has been waiting until the last moments before the Uruguay Round trade talks deadline to reveal its intentions to make concessions. Government officials have avoided a public debate and hoped to win public approval by stressing that Japan had to avoid being blamed for the failure of the talks.

The enduring sanctity of rice in modern Japan has been a result of the strength of the rural vote, a legacy of the 38-year rule by the LDP. Uneven representation, where one rural vote is worth three votes in the cities, supported the LDP's majority in spite of a declining farming population. However, this is about to be changed by electoral reform, which Mr Hosokawa hopes to implement during the current session of parliament.

Meanwhile, the lifting of the symbolic ban will be good news for Japan's manufacturers, who have faced international criticism for the country's trade surplus. Business leaders, who hope that an opening of the rice market will take the heat off export-oriented companies, have applauded Mr Hosokawa's decision.

Some in the business community hope that the benefits of cheaper rice will be passed on to consumers and in turn boost sales of other goods. Analysts estimate that imports of 4 per cent of domestic consumption in 1995 will result in a gain of Y178bn (£1.2bn) for Japan.



Californian rice arrives in Kobe, western Japan, yesterday: but so far only to make up a harvest shortfall Associated Press

Japanese premier secures coalition backing

Mr Morihiro Hosokawa, Japan's prime minister, won the crucial support of a key coalition party early today allowing him to unveil official approval of Japan's plan to allow limited rice imports to help clinch a Gatt world trade deal, Reuter reports from Tokyo.

Mr Hosokawa, after enduring weeks of hand-wringing and painful debate, announced the decision after a 3am cabinet meeting.

The Social Democrats had looked deeply divided yesterday over whether to back Mr Hosokawa on rice or support outraged farmers who account for a big portion of the party's declining support.

The party, the largest but most unstable in the alliance, could have brought down Mr Hosokawa's four-month-old government if it had decided to quit the coalition.

Such a development would have certainly held up a final agreement on a new world trade pact at the 115-state Uruguay Round of talks, due to wind up in Geneva tomorrow.

However, after marathon talks lasting nearly 12 hours, the party's top executive grudgingly agreed to leave the decision to chairman Mr Tomiichi Murayama, who said the Social Democrats must support the rice plan and stay within the coalition.

"We have had to accept that Hosokawa's decision (on rice) is right," Mr Murayama told a meeting of Social Democrat leaders.

"Our party's responsibility to help stabilise the government is increasing," he said as angry farmers protested in front of party headquarters in central Tokyo.

The issue has traumatised the Social Democrats, who are increasingly dependent on the farm vote as urban voters desert the hardline party in droves.

Mr Tsutomu Hata, the foreign minister, who returned to Tokyo early yesterday after a quick trip to Geneva to meet US and European trade officials, defended the decision as unavoidable.

"Everyone agreed that failure to conclude the Uruguay Round will hurt the global economy," he said.

Mr Hosokawa may have cleared one hurdle but more troubles lurk around the corner. The main opposition Liberal Democratic party had threatened to hold a key budget bill hostage if the prime minister gave in on the rice issue.

Chipmakers try to scuttle push for Gatt

By Louise Kehoe in San Francisco

US semiconductor makers are trying to scuttle the push for a final Gatt agreement by urging Congress members to vote against ratifying it, unless big changes are made on intellectual property rights protection.

"The entire industry will come down hard against Gatt," Mr Craig Barrett, chief operating officer of Intel, the world's biggest chipmaker, said. Chipmakers charge that in its present form, the draft Gatt threatens their ability to protect intellectual property rights, denies open access to the European market and weakens US anti-dumping provisions.

Mr Barrett is angered by provisions that might force Intel to license its patented technology to foreign makers. "If a foreign government decided it needed a chip industry, it could force us to license our technology." The draft Gatt proposal states that a patent holder must be paid "adequate compensation", but it is unclear how that amount would be calculated.

"Our only recourse would be to appeal to a Gatt panel; by the time the issue was resolved, it could probably be moot," because semiconductor technology advances rapidly.

Passage of such measures could have a serious impact on the competitiveness of the US semiconductor industry. "It hardly motivates a company to spend millions of dollars on product development if you are looking down a gun barrel at people threatening to seize your technology."

The US industry spends an average 12 per cent of revenues on research and development. Intel has spent $1bn (£600m) developing its latest line of Pentium microprocessors.

"In its current form, the draft Gatt hurts the US semiconductor industry and threatens US jobs," Mr Andrew Procassini, Semiconductor Industry Association president, said. With nothing to gain from passage of the pact as it stands, the SIA would oppose Congress ratifying it.

In addition to its objections to "compulsory licensing", the US industry views European offers to lower import tariffs on chips as "totally inadequate. The greatest tariff cuts occur in product areas exempt from European duties because Europe grants waivers for semiconductors for which there is no European competition. Europe is creating the illusion of big tariff concessions, when the tariffs paid would change very little."

Deadline will be met say officials

By Frances Williams in Geneva

Trade diplomats yesterday moved to squash concerns that the complex and time-consuming tariff negotiations in the Uruguay Round of trade talks could not be completed by tomorrow's deadline.

"We will have completed the substantive market access negotiations by Wednesday," said a senior trade official. "What's on the table then will be final and cannot be withdrawn."

European Union negotiators caused consternation late last week when they said they might be able to conclude item-by-item tariff bargaining with just 15-20 countries, representing about 90 per cent of world trade. On Sunday the EU had definitively signed off on just one tariff accord – with Peru.

However, with the Uruguay Round rules package largely sewn up late on Sunday, trade officials have been meeting round the clock to finalise deals with trading partners covering thousands of farm and industrial products. Intensive negotiations have also been taking place on opening markets for services.

Mr Peter Sutherland, Gatt director-general, said yesterday that tariff offers could not be reduced but could be improved after December 15. "That process will be one of verification and augmentation," he said.

Diplomats said it was not necessary for all 115 participants in the round to bargain with each other. The biggest 20 to 30 nations will settle on tariffs and then offer the same deal to others.

Smaller countries will be putting in tariff schedules based on their understanding of the deal on offer as it concerns them.

Least developed countries have been given extra time beyond tomorrow's deadline to prepare schedules.

EU acts to ease multiple share listings

By Norma Cohen, Investments Correspondent

European Union finance ministers yesterday approved a measure intended to reduce the administrative burdens on companies seeking share listings on more than one EU stock exchange.

The measure, which will be an amendment to the Listing Particulars Directive, will allow companies listed on one exchange to use their existing documentation as the basis for an application for another exchange. Before becoming effective, the European parliament must give its opinion on the issue.

Currently, companies seeking listings outside their home country must prepare an entirely new set of documentation for a second listing, a requirement which can discourage cross-border listings.

Mr Paul Smee, head of public policy and international relations at the London Stock Exchange, said that while the amendment was not revolutionary, "it is a first step towards cross-border listing. It is progress."

It is expected the amendment will smooth the way for the Eurolist project under which the 250 largest EU corporations will be able to obtain cross-border listings. Eurolist will be open to those companies with a market capitalisation of at least Ecu1bn (£760m), with annual turnover of at least Ecu250m and which are prepared to seek a listing on at least five European exchanges outside their home country.

However, the creation of Eurolist and the new listings amendment fall short of what the London Stock Exchange has been seeking and what many regard as essential to genuine integration of European stock exchanges.

Sir Andrew Hugh Smith, London Stock Exchange chairman, has called for mutual recognition of listing requirements by EU stock exchanges. While the listing and reporting requirements need not be exactly alike, stock exchanges should agree to list the shares of those companies which have met listing requirements in their home states.

US takes aggressive line on export finance

Eximbank signs India deal

By Nancy Dunne in Washington

The US Export-Import Bank yesterday signed a $60m (£40.2m) financing arrangement with India signalling its determination aggressively to match subsidised export financing by foreign governments in support of domestic industries.

The beneficiary of the tied aid deal is Raytheon, which will provide air traffic control equipment to India's National Airports Authority.

Some 45 per cent of the financing will be provided by a grant from a multi-million dollar "war chest" established for the purpose. The rest of the financing, provided by Eximbank, is a loan carrying an interest rate of 6.6 per cent.

The last two Republican administrations were reluctant to employ tied aid, mingling commercial credit and government grants, and often failed to use the various "war chests" provided by Congress. The Clinton administration has vowed to be more aggressive.

However, it was the Bush administration which first offered the financing in 1991, in an ultimately successful effort to get industrialised countries to curb the use of tied aid. A year later it "improved" its offer, boosting the grant component from 35 to 40 per cent.

Nigerian liquefied gas project to go ahead

By Robert Corzine in Vienna

A controversial Nigerian liquefied natural gas project which has been beset by political and commercial uncertainty is to go ahead, according to one of its main backers.

The multi-billion dollar project, one of the largest in the world under consideration, has been restructured to emphasise private sector involvement, according to Mr David Pearce, director of Shell International Gas.

He told a Financial Times conference in Vienna yesterday that the shareholding of the Nigerian National Petroleum Corporation in the project would fall by 11 percentage points to 49 per cent.

Shell's share would rise by 4 percentage points, while that of Elf Aquitaine, the French state-owned oil company, would increase by 5 points. The International Finance Corporation, the private sector finance arm of the World Bank, would take a 2 per cent stake. Agip, the Italian oil company, was also a partner.

Mr Pearce said a significant amount of the planned equity in the project would be placed in an escrow account to "establish financial confidence" among potential lenders. Shell is also assuming a larger role in the management of the development. The need to rebid contracts for the project next year means it will not be completed before well into 1999.

The growing world demand for gas which has encouraged companies to embark on projects such as that proposed for Nigeria was a recurrent theme among speakers at yesterday's conference. Shell, for example, predicted a 50 per cent increase in demand by 2010, excluding the former Soviet Union and eastern Europe.

Most agreed that the strongest growth was likely to come in Asia. Mr Fritz Voight of Exxon suggested that gas would remain the fastest growing fuel there until 2010.

The optimism over steadily rising long-term demand was tempered, however, with concerns over future prices, especially if oil prices remained low. Many speakers noted that gas prices would have to rise substantially if remote reserves were to be developed. But a rise in prices to the levels needed to sustain such projects might undercut the competitiveness of gas or lead to the abandonment of high volume, low value industrial markets.

Jakarta to buy Protons

Indonesia plans to buy Malaysian-manufactured Proton cars in exchange for Indonesian-made aircraft, reports Kieran Cooke.

Malaysia manufactures the Proton with Mitsubishi of Japan. Indonesia's heavily subsidised Industri Pesawat Terbang Nusantara manufactures the turboprop CN-235 aircraft with Casa of Spain.

Norwegians buy 25,000 tonnes of British rail

By Andrew Baxter

British Steel Track Products, based at Workington in northern England, has won its biggest ever European order from Norwegian State Railways, which is buying 25,000 tonnes of rail.

The order is understood to be worth about £10m, and took two years to negotiate. It will run to the end of 1995, and could be extended to the end of the century.

The rails are to be used in NSB's expansion programme. It is upgrading strategic routes to take trains capable of 120mph. The Workington plant has changed production to make the 40-metre rails for NSB, four metres longer than it had be able to make.

UK wins 2.5% VAT for works of art

By Andrew Hill in Brussels and Antony Thorncroft in London

British auction houses yesterday welcomed a European compromise covering value added tax on antiques and art works, which should allow London to maintain its competitive edge against New York in the lucrative world art market.

European Union finance ministers ended 15 years of intermittent debate by agreeing a common VAT system for second-hand goods, which covers everything from Minis to Monets.

Under the complex compromise, works of art imported from outside the European Union into the UK will be subject to a reduced 2.5 per cent VAT until June 30, 1999.

Art works re-exported from the EU within two years of entry will be spared the tax altogether.

Ministers have yet to decide when the directive will take effect.

The UK, centre of the European trade in antiques, currently exempts art imports from VAT, encouraging non-European collectors to sell through auction houses such as Christie's and Sotheby's.

Auctioneers and dealers had feared that in the interests of fiscal harmonisation, EU ministers would force Britain to impose a heavier rate of VAT on imports.

All other member states will have to impose a rate of at least 5 per cent on art imports.

Britain's right to levy a lower rate could be extended beyond 1999 if a special report to ministers by the end of 1998 concludes that increasing VAT would hamper the competitiveness of the European art market.

Commission officials claimed that art works imported for sale in Geneva or New York were subject to an average tax of some 3 per cent.

Christie's, which along with Sotheby's, dominates the international art market, gave a guarded welcome to the proposals.

Sir Anthony Tennant, chairman of Christie's, said: "We feel that this deal, tenaciously negotiated by Sir John Cope [UK paymaster general], represents the best solution possible to secure agreement and that it removes much of the uncertainty surrounding the market in London. While we remain deeply concerned about the position after 1999, we are pleased that there is to be a review of the effect of an import tax before then. The net effect of these new proposals is minimal in the short term."

Mr Anthony Browne, a Christie's director, added that while the move was welcome, Christie's would "continue to argue vigorously that, if you set too high a rate, it will damage the European art market".

Sotheby's also expressed satisfaction. "The 2.5 per cent until 1999 will have only a marginal effect. We are pleased that the present uncertainty has ended".

Ministers also decided that VAT would be imposed only on the dealer's margin on the sale of second-hand goods, rather than the full value, and that sales of goods and art works between individuals would not be subject to VAT.

Certain member states will be exempt from elements of the new system during a transition period.

Separately, ministers asked the Commission to continue studying the harmonisation of withholding tax on savings, in spite of opposition from a number of countries, led by Britain and Luxembourg, to any harmonised system of savings tax.

The Commission thinks again after health ministers fail to agree

EU in fresh look at tobacco ban

By Andrew Hill in Brussels

The European Commission agreed yesterday to re-examine its proposed ban on tobacco advertising, after EU health ministers again failed to agree on the controversial directive.

Mr Padraig Flynn, European health commissioner, said it was a "matter of great regret" that member states were unable to agree on a ban, which would end all tobacco advertising in the European Union, except at the point of sale.

The proposal has been fiercely opposed by the UK, which favours a system of voluntary restraint, backed by a blocking minority of Germany, Denmark, the Netherlands and Greece.

Lawyers advising the council of ministers yesterday disputed the Commission's decision to press for a ban under single market rules in the EU treaty. The Commission argues that unless conflicting national legislation is harmonised, publications containing tobacco advertising will not circulate freely around the Union.

But the Commission and the Belgian presidency said yesterday they were extremely surprised that the council's legal service had raised such objections after two years of debate on the measure.

Mr Flynn said he could not comment on the possible options for the Commission until he had considered the legal base for any new approach to the problem.

TV job for Balladur ally

By Alice Rawsthorn in Paris

Mr Jean-Pierre Elkabbach yesterday took charge of France's two state-controlled television stations when he was appointed chairman of France Television as part of the government's shake-up of the media.

Mr Elkabbach, 56, is known in France as an aggressive television interviewer.

He is close to a number of prominent conservative politicians, notably Mr Edouard Balladur, the prime minister. He co-authored a book with Mr Balladur in the late 1980s.

The selection of Mr Elkabbach for such a sensitive position as the head of France Television, which controls the France 2 and France 3 channels, has been interpreted as an unashamedly political choice by the Balladur administration.

Mr Elkabbach came to the fore in French television under the conservative governments of the 1970s, when the state exercised stringent control of the media.

He was so closely associated with the right that when the Socialists took power in 1981 crowds chanted "Elkabbach Resign!" at a victory rally.

However, Mr Elkabbach eventually became close to Mr François Mitterrand, the socialist president, after collaborating with him on a television biography.

He has been regarded as the favourite to take charge of France Television since Mr Herve Bourges, his left-leaning predecessor, announced he would not stay on for a second term.

Mr Bourges, who implemented a radical cost-cutting programme at France 2 and France 3, last week became France's ambassador to Unesco.

The appointment of Mr Elkabbach comes at a time of sweeping reform across French television.

Mr Alain Carignon, the communications minister, is tabling legislation to liberalise the broadcasting system.

His reforms will include relaxing controls over investment and renegotiating the licence of Canal-Plus, the successful pay-TV channel.

Mayor of Hamburg accused of racism

The mayor of Hamburg was yesterday accused of stoking up racism by demanding population quotas to bar non-Germans from moving into parts of Germany's second-biggest city, Reuter reports.

Mayor Henning Voscherau told the newspaper Bild he wanted to stop the creation of ghettos in poor neighbourhoods which were being "threatened" by inflows of foreigners.

"Whoever refers to 'threatened neighbourhoods' must know that he has contributed to the anti-foreigner climate," said government ombudswoman Ms Cornelia Schmalz-Jacobsen.

She said Mr Voscherau's comments were racist propaganda: "(They) show that he is not ready to accept that the non-German population has long since become an integral part of the Federal Republic."

Mr Voscherau argued there must be limits to the proportion of foreigners living in certain neighbourhoods. "If you have a neighbourhood where 50 per cent or more of the residents are foreigners, then it must be possible to say that is enough," he said.

Germany's 6m foreign-born residents, mainly labourers from Turkey and southern Europe, make up about 7 per cent of the total population.

GM and Polish carmaker reach assembly deal

By Kevin Done in London and Christopher Bobinski in Warsaw

General Motors, the US carmaker, reached agreement with the Polish authorites yesterday to begin car assembly in Warsaw in a joint venture with FSO, the Polish state-owned carmaker.

The deal, reached after more than two years of negotiations, marks an important step forward in the modernisation of the east European car industry.

In the first stage the venture will assemble up to 10,000 four-door Opel Astra small family cars a year from SKD (semi knocked-down) kits supplied from GM plants in west Europe.

GM will send already painted car bodies from its assembly plant at Antwerp, Belgium, for final trim and assembly in Warsaw. Components such as engines and transmissions will be supplied from its plant in Bochum, Germany.

Production will begin in the second half of next year.

Initially GM will invest DM9.4m (£3.73m) to take a 50 per cent stake and management control in the venture, which will have a workforce of about 250. It will invest a further DM10m within a few months, which will increase its stake to 65-70 per cent.

Under the terms of the deal GM envisages moving later to a more ambitious second stage in which cars would be assembled from CKD (completely knocked down) kits, which would require body welding and painting to be carried out in Poland.

Output for the second stage could be increased to up to 33,000 cars a year on three shifts with a workforce of about 1,000. The second stage would increase investment in the project to around $60m.

As part of the planned co-operation with FSO, GM would aim to take part in developing the automotive parts supply industry in Poland.

Last week it announced that ACG, the GM group's parts subsidiary, had signed a memorandum of understanding with FSO and its affiliate ZEM-ELK to set up a feasibility study into joint ventures in components areas such as wiring harnesses, lighting, metal and plastic parts, and aftermarket products.

The memorandum was also signed by two of ACG's worldwide divisions, Packard Electric and Inland Fisher Guide.

GM said several other parts divisions of ACG were also in discussions with potential Polish partners inside and outside the FSO group.

Mr Marek Pol, the new Polish industry minister, said yesterday profit tax waivers would be extended up to the amount of GM's DM9.4m investment. "There have been no inducements other than those regularly extended to foreign investors," Mr Pol said yesterday.

However the contract does give assurances that the Polish government will compensate GM for losses resulting from future changes in tariff and tax conditions.

FSO, which has fought for the link with GM for three years, will now be looking to its foreign partner to provide a new model to replace its Polonez saloon car whose design dates back to the 1970s.

The agreement signed yesterday commits both sides to an examination of the feasibility of such a project over the next six months.

In the meantime GM will work with the Polish carmaker to assist in "its restructuring to become an internationally competitive car manufacturer".

The first 10 months of this year saw Poles buying 227,000 cars or 29 per cent more than in the same period last year. This includes the sale of 65,000 imported vehicles of which 5,635 were Astras from GM.

FSO has sold 53,000 Polonez cars this year. The domestic car market is expected to expand to 350,000 a year by the end of the century when tariffs at 41 per cent of a vehicle's value are to be reduced to zero.

Fiat, which owns the FSM car plant in Bielsko Biala in southern Poland, is planning to assemble the Uno there, of which the Italian car maker has sold 16,000 models this year. FSM produces the Cinquecento and the smaller Fiat 126 car at Bielsko.

Bulgaria suffers wave of strikes

A wave of strikes and protests by workers demanding overdue wages spread in Bulgaria yesterday, Reuter reports from Sofia.

The Podkrepa trade union called ore and coal miners out on strike from yesterday and said it expected the stoppage to attract a total of 25,000 miners by the end of the day.

The other strong labour grouping, the Confederation of Independent Trade Unions which launched an ore-mining strike 13 days ago, said 20,000 strikers were to decide yesterday whether to accept an agreement signed by the non-party government and union leaders on Friday.

The Trud daily said yesterday the government had promised to transfer 283m levs (£6m) to the ore mines.

But the Podkrepa mining federation said the union had demanded documents to guarantee that government promises would be fulfilled.

"We demand a decision on which mines will be closed and our people must know where they will work afterwards," it said.

Delays in the restructuring of the pollution-hit ore mining industry, which produces mainly lead and zinc, are widespread in the state sector where unreformed enterprises are floundering.

Clinton sees 'danger' in health costs

By Jurek Martin, US Editor, in Washington

President Bill Clinton yesterday warned that it would prove impossible to cut social welfare spending without first attacking healthcare costs.

Next year, the US states, for the first time, would be spending more on health programmes than on education, he said. This was "a serious danger signal" for the whole country.

His forum was a "town meeting" on federal entitlements, at Bryn Mawr college in suburban Philadelphia.

Mr Clinton came to office promising the end of "welfare as we know it". He has already appointed a bipartisan commission to propose necessary reforms. He has frequently spoken of the possibility of putting a two-year limit on welfare payments, after which recipients would have to take public service jobs.

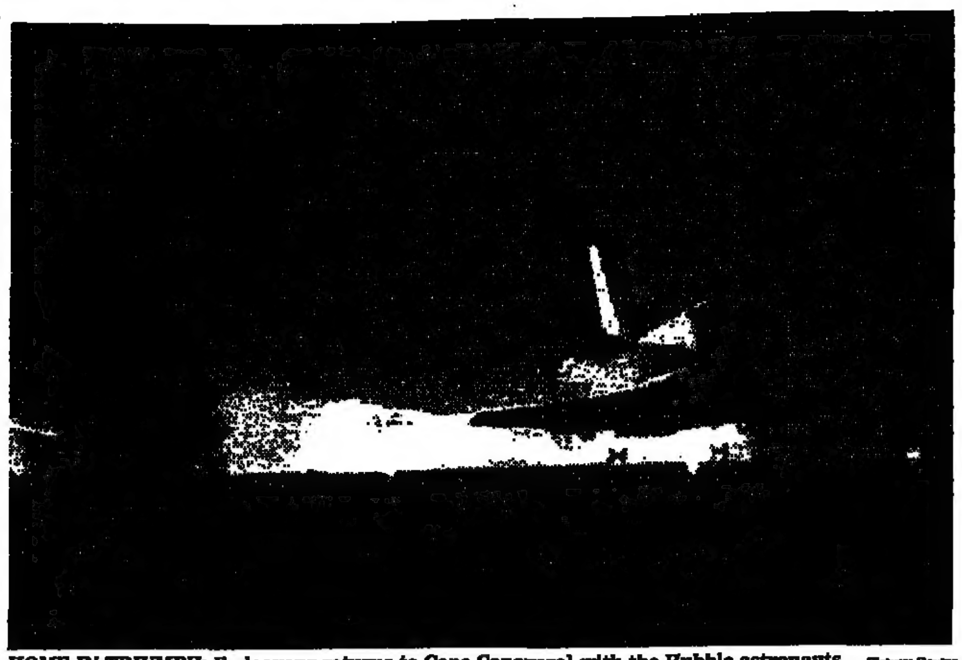
But the main thrust of his largely unscripted, 45-minute lecture yesterday was again on healthcare. Medicare and medicaid programmes combined, he noted, accounted for about 30 per cent of the total entitlement budget, second only to the 43 per cent consumed by social security payments to the elderly.

Discretionary welfare spending, on the other hand, amounted to a mere 2 per cent of entitlement spending, with an additional 4 per cent taken by the food stamp poverty programme. The current average monthly welfare benefit, he said, was lower in real terms than it was 20 years ago, and was only costing more because of the growth in the number of poor people.

He quoted approvingly a Washington Post editorial yesterday which cited medicare and medicaid as the "real budget busters."

From 1994-98, he said, the health care slice of the budget, in real terms, was projected to rise by about 5.5 per cent and social security by 2 per cent, against a 5 per cent decline in defence spending and a 2.5 per cent drop in general entitlements.

In the current fiscal year, entitlements, dominated by health care and social security, comprise about 47 per cent of the overall US federal budget, versus 21 per cent for defence, 18 per cent for non-defence discretionary spending, and 14 per cent for repayment of the national debt.



HOME IN TRIUMPH: Endeavour returns to Cape Canaveral with the Hubble astronauts Picture: Reuter

'Flawless' mission over

By Clive Cookson, Science Editor

Seven US space veterans returned home to Cape Canaveral in triumph yesterday, after completing all scheduled repairs to the crippled Hubble Space Telescope.

"Thank you for the flawless flight," mission control told them as the shuttle Endeavour rolled to a stop. "We look forward to using [Hubble] to see further into our universe than ever before."

The 11-day mission – which some commentators had called the greatest challenge for the US space agency Nasa since the moon landings more than 20 years ago – was a very public success.

In the course of five televised space walks, the crew (average age 46) completed all their scheduled tasks, surpassing Nasa officials' highest hopes. They replaced or repaired 11 defective parts on Hubble, including lenses to correct the telescope's short-sightedness.

Astronomers will not know whether the mission has restored Hubble's full sight until Nasa has completed several weeks of tests.

The first images from the repaired telescope are expected in February.

Nasa was also keen to point out that the repair mission would bolster the agency's credibility in arguing for at least $10bn from Congress to build a permanent space station in orbit.

It showed how well astronauts can work in space, with miniature electronic components and with bus-sized pieces of hardware such as Hubble itself.

Menem gets his way on route to second term

John Barham on a step forward for Argentina's president - and misgivings about its democracy

President Carlos Menem and his old rival Raúl Alfonsín, in a ceremony transmitted live on Argentine national television yesterday, signed an agreement that opens the way for the fulfilment of Mr Menem's greatest ambition.

He has been pushing with almost indecent haste to remove the 140-year-old constitution's ban on successive presidential terms so that he can stand for re-election when his mandate ends in July 1995.

In exchange for backing constitutional reform, Mr Alfonsín's Radical party wins greater participation in government, Congress and the judiciary. The divided and demoralised Radicals, realising that they have little chance of winning the next elections, decided they had more to gain by negotiating with Mr Menem than obstructing his ambitions.

The ceremony yesterday was the culmination of six weeks of negotiations behind closed doors.

Congress must approve constitutional change by a two-thirds majority. Since the Radicals and Mr Menem's peronists control more than 80 per cent of the seats in Congress, approval by Christmas is almost a foregone conclusion.

Mr Menem is in such a hurry that Congress will have only five days of debate before rising until March. Elections for the constituent assembly that will rewrite the constitution are to be held then.

As part of their price for support, the Radicals also demanded a purge of the nine-member Supreme Court. Justices are appointed for life, to insulate them from political interference, but the opposition says the court lost its independence after Mr Menem packed it with pro-government justices.

Mr Menem duly forced the resignation of two justices and a third promised to retire in February. Last week, Radicals and Peronists agreed on their replacements – one justice for each party and an independent.

For the pessimists, the horse-trading and negotiations in smoke-filled rooms bode ill for Argentina's fragile democracy, the 10th anniversary of which was celebrated last Friday.

It might be appropriate that the celebrations were uninspiring. There was a rally in a sports stadium. Mr Menem and Mr Alfonsín planted 10 saplings in a Buenos Aires park. Vandals uprooted them the next day.

There was no sign of the enthusiasm in December 1983 that had greeted Mr Alfonsín's inauguration. That ended seven years of military rule which was unusually brutal, even by Latin American standards.

However, most Argentines seem to approve the Peronist-Radical pact. La Nación, Argentina's leading conservative newspaper, is one of the few dissenting voices. It protested in an editorial that "a small group of men whose only qualification is to have been designated by the two leaders [are] discussing the text of Argentina's future constitution as if [theirs] was the final instance of the reform process."

It said this is being done with the "evident intention of delivering the constituent assembly a tightly-closed package" to be rapidly rubber-stamped.

Such secretiveness is a striking feature of Mr Menem's presidency and, to a lesser degree, of Mr Alfonsín's years in power. Mr Menem has amassed more power than any leader since Juan Perón ruled Argentina from 1946-55.

Perón was Argentina's only president to change the constitution and win re-election. But he was toppled by the military, who scrapped the changes.

Mr Menem has drawn the teeth of the supreme court and the judiciary. He ignores congress and rules by decree when necessary. He claims Argentina's economic "reforms would not have been possible without the presidential system that we have". These reforms have brought strong growth and low inflation, further re-inforcing his popularity and authority.

The last 10 years have seen important advances. Civilian courts tried and jailed generals for human rights violations in the 1970s, although Mr Menem later pardoned them. The press is growing in confidence and aggressiveness. The arts are flourishing. The military, discredited by its disastrous 1976-83 government, now proclaims its commitment to democracy.

Indeed, democracy has survived considerable stresses, such as four army mutinies, 13 general strikes and the hyperinflation of July 1989 that drove Mr Alfonsín from office five months early.

While support for democracy and Mr Menem's market-oriented reforms has never been stronger, Argentines complain that education, health, administration of justice and employment opportunities have deteriorated since 1983 while corruption is growing.

Six military coups since 1930, guerrilla warfare in the 1970s and 60 years of economic upheaval have crippled the machinery of government. Democrats argue that Argentina must consolidate stability by rebuilding its institutions of state.

Political analysts say that, although Mr Alfonsín restored democracy and Mr Menem brought economic stability, the latter is not the man to rebuild Argentina's institutions.

Argentines often say their greatest hope for the future is the "democracy generation" of children born after 1983. These are supposed to grow up untainted by the violent, bitter hatreds which have divided their parents and grandparents.

If the Peronist-Radical "tightly-closed package" is approved swiftly and with little debate, Argentina will lose a fine opportunity to design new political structures in order to help it avoid a repetition of its blood-soaked history.

US court ruling throws insurers into confusion

By George Graham in Washington

US life insurance companies are bracing themselves for an administrative upheaval affecting $570bn of assets, after the Supreme Court ruled yesterday that these funds must be managed in line with pension protection laws.

The court said an insurance company must meet the fiduciary standards of the Employee Retirement Income Security Act for premiums paid by a group pension plan, even when the money is placed in its general account.

Some insurance executives feared the ruling could oblige companies to set up segregated accounts for their group pension clients, which would create great difficulties in dividing the assets now pooled in their general accounts.

Worries about the solvency of many insurance companies have led some pension plans in recent years to ask for segregated accounts, but three-quarters of the pension fund assets held by insurance companies are still pooled in general accounts.

General accounts have been thought to be governed primarily by state law, which in most cases says all policyholders must be treated equally. The federal act, though, can require additional protection for pension plan participants.

Texan high-speed rail project near collapse

By Richard Tomkins in New York and Tracy Corrigan in London

Plans to build a $6.8bn high-speed railway linking the main cities in Texas were on the brink of collapse yesterday after Morrison Knudsen, the US construction group, decided to back away from a key element of the financing.

The group said it had decided to withdraw its guarantee for an initial $200m convertible bond offering because it was not prepared to take the risk alone.

The project now faces missing a December 31 deadline for having in place its first-round funding of $170m.

The Texas TGV, using technology developed for France's train `a grande vitesse, would have been the first high-speed system in North America. The railway industry had hoped it would set a precedent for similar projects across the US and Canada.

The railway was due to have been built by the Texas TGV Corporation, a private-sector consortium comprising Morrison Knudsen and private Texan interests.

GEC Alsthom, developer of the French TGV, and Bombardier, GEC Alsthom's North American licensee, were to provide the technology.

Public buying of land urged in Japan

By Robert Thomson in Tokyo

A campaign is gathering momentum for government assistance to clear Japanese banks' bad loans, as Mr Gaishi Hiraiwa, chairman of the Keidanren, the leading business federation, yesterday proposed public funds be used for purchases intended to stimulate the property market.

The banks' losses are linked to the price collapse of their property collateral, and fears are growing that the commercial property market will be in free fall next year unless the government intervenes to support prices.

However, Mr Hiraiwa's call for intervention was aimed not only at banks, but also at the many non-financial companies which invested in property projects during the late 1980s, the so-called bubble era, and are facing huge losses.

"Now seems to be the right time for the government to consider buying up land," Mr Hiraiwa said. His suggestion echoes proposals by other business leaders for the government to buy land for public use, and even to purchase property that will not ultimately be used for public purposes, if only to stimulate the market.

The government is likely to consider advance land purchases as part of a stimulatory package, for which preparation is expected to begin this week. The Construction Ministry has indicated that it would like an easing of land transaction taxes, but the Finance Ministry is likely to oppose any measure that would reduce tax income.

Banks complain they have been unable to sell land held as collateral because the property market is "dead", while the rate of commercial vacancies in Tokyo is estimated at 10 per cent and rising. In areas developed rapidly during the bubble years, the vacancy rate is close to 50 per cent and the determination of developers to complete projects is still adding to the surplus of commercial space.

Demand for residential property has risen this year, but a study by the Real Estate Companies' Association estimates that 81 per cent of apartment buyers in the Tokyo area in 1988-92 are sitting on large potential losses.

The association calculates the average loss for an apartment bought in 1989 at Y12m (£73,500). This rises to Y22m for an apartment bought in 1990 and Y18m for a 1991 apartment.

NEWS IN BRIEF

France, Germany in bid to free prisoners

Elder statesmen from France and Germany were in Baghdad yesterday to seek the release of the last two westerners imprisoned in Iraq, Reuter reports from Baghdad. Mr Serge Boisdevaix, a former French Foreign Ministry secretary-general, is seeking freedom for Mr Jean-Luc Barlerre, 25. Mr Hans-Jürgen Wischnewski, a Middle East specialist in Germany's opposition Social Democratic party, is seeking the release of Mr Kai Sondermann, 28. Both prisoners are serving eight-year sentences for illegally entering Iraq.

China factory blaze kills 60

Fire ripped through a textile factory in the southern Chinese city of Fuzhou yesterday, killing 60 people and injuring eight others, Reuter reports from Hong Kong. The official Xinhua news agency said the fire at Gaofu Textile also destroyed a warehouse and a dormitory.

Shadow role for Lange

Mr David Lange, former New Zealand prime minister, was appointed foreign affairs spokesman in the shadow cabinet by Ms Helen Clark, opposition Labour party leader yesterday, writes Terry Hall in Wellington. Mr Lange is widely held responsible for a rift with the US, Britain and Australia from 1984 when he was foreign affairs minister and premier. Then, New Zealand banned visits by nuclear-armed vessels, legislation over which led to the break-up of the post-war Anzus treaty.

Ciskei ruler cleared

Brigadier Oupa Gqozo, ruler of South Africa's Ciskei black homeland, was found not guilty in the homeland's Supreme Court yesterday of murdering a political opponent, Reuter reports from Bisho. The case followed the January 1991 death of Mr Charles Sebe, former security chief, who had allegedly plotted a coup.

Disappointed Palestinians vent their fury as peace accord deadline passes

Mood darkens in Gaza's camps

By Julian Ozanne in Jabalya Camp, occupied Gaza

It should have been a day of celebration marking the beginning of the end of 27 years of Israeli occupation of the crowded, impoverished Gaza Strip.

But instead, after Israel failed to meet yesterday's deadline under the peace accord to start withdrawing its troops, crowds of Palestinian youths vented their frustration in traditional fashion: lobbing stones and insults at heavily armed Israeli troops stationed behind barbed wire fences.

In the sprawling rubbish-strewn Jabalya refugee camp, the birthplace of the Palestinian uprising, youths in sandals and black and white headscarves ran to the fences of Israel's military camp and sent burning tyres into the compound. When soldiers in helmets and bullet-proof jackets moved towards the stone-throwers and shot plastic bullets the youths clapped and whistled.

"I am not afraid to die," said 17-year old Ahmed al-Hinawi, one of the youths taunting the soldiers and holding a large rock in his hand. "Death is in God's will and if I die I will be a martyr."

Two blocks away residents gathered to mourn the death of a Palestinian who killed himself while training with a machine gun. Outside the concrete breeze-block home pictures of Mr George Habash, leader of a Palestinian faction opposed to the peace process, were festooned from the roof top.

Yesterday was business as usual in the strip although Colonel Shuki Shichrur, deputy military commander, said the army had issued orders to the soldiers to "be sensitive" and prevent incidents or accidents. By the end of the day three Palestinians had been killed and several wounded in separate incidents across Gaza. One was shot dead as he tried to drive a stolen ambulance booby-trapped with explosives into an army jeep.

"You can see how desperate people are," said Mr Mansour al-Shawa, the mayor-designate of Gaza City. "The mood is filthy. People are really upset and disappointed that the Israelis won't even stick to an agreement which gives us virtually nothing."

Mr al-Shawa said opposition to the peace process was mounting day by day. "We thought we were on the way to regaining some of our dignity and alleviating the pressures, misery and poverty, but now people feel cheated. Many more people now are opposed to the peace. They say they prefer to live under occupation than give up all their rights."

The mood in Gaza was repeated across the occupied West Bank yesterday. In Jericho, the designated capital of future Palestinian self-government, Palestinians shut their businesses to protest against the delay in Israeli military withdrawal. In Nablus soldiers also clashed with Palestinian militants.

Palestinians and Israelis have warned that extremism is bound to grow as uncertainty sets in about the future of the peace process. For the Islamic fundamentalists and the PLO factions which oppose the peace accord, the delay in implementation of troop withdrawal provided a rallying call to disaffected Palestinians.

"You see. We can never have peace with Israelis," said Mr Hisham al-Akra, a 21-year-old student who lives with 13 other family members in a four-roomed shack in Jabalya camp.

Like many in Jabalya Mr al-Akra is a refugee who yearns after his ancestral land now in Israel and who has little hope of returning home under the peace accord.

"Even if the troops leave Gaza we will continue attacking them and Yassir Arafat cannot stop that. We don't want this peace. We want to wait and continue the struggle until we are stronger to win all our rights to our land and the right of the refugees to return.

"The Israelis will never give anything. They show this every day. We will have to fight them until we kill them all or send them back to the countries they came from."

The message is one many Palestinians find distasteful. But every day of delay threatens to strengthen the hands of extremists to the long-term detriment of a peaceful transition.

Palestinian youths throw stones after setting fire to tyres at the main entrance of an Israeli military base in the Jabalya refugee camp *Reuter*

Philippines, Westinghouse talks fail

By José Galang in Manila

Philippine negotiations with Westinghouse Electric of the US to settle court cases in the US and Switzerland over construction of a nuclear power plant have collapsed, according to Mr Delfin Lazaro, energy secretary.

The negotiators described Westinghouse's position in the talks as "contrary to the country's dignity, interests and laws". The Philippines will now pursue claims filed against Westinghouse before the International Arbitration Court in Geneva.

It will also appeal a case it had filed in a US court against Westinghouse alleging the US company had used bribery to win the contract. The New Jersey federal district court last May cleared Westinghouse of the charge. The appeal will be filed on December 20.

China tries to improve air safety

By Tony Walker in Beijing

China's aviation industry is in crisis after a spate of hijackings and three air crashes this year, according to the country's civil aviation chief.

Mr Jiang Zhuping, head of the Civil Aviation Administration of China (CAAC), urged drastic measures to improve pilot performance and guard against further disasters. He was quoted in the English-language China Daily yesterday as calling for air safety to be an "overwhelming priority".

His comments coincided with the ninth hijacking this year of a Chinese airliner to Taiwan, further compounding Beijing's embarrassment over its air safety record. The hijacker commandeered the aircraft by pretending to have a bomb in his pocket.

"Every airline, airport, navigation and maintenance unit will be checked in the campaign to close safety loopholes and tighten discipline," Mr Jiang said.

He warned that those responsible for failing to uphold safety standards would face criminal prosecution. Procedures at China's hard-pressed airports are lax.

CAAC has sent inspection teams to airports and airlines throughout China to check on standards. "Poorly qualified pilots would either be demoted or have their licences revoked," China Daily said.

International aviation experts have long been warning that China's airline boom (new airlines have mushroomed in the past few years to cope with a surge in demand) has put an intolerable strain on resources.

The rash of hijackings to Taiwan has fuelled tensions between Beijing and Taipei, with China alleging that the Taiwanese refusal to repatriate hijackers was compounding the problem. In Taipei, Mr Jason Hu, Taiwan government spokesman, mocked Chinese safety standards. "In one of the hijackings, a bar of soap was used. This time it's something in a pocket. Next time a toothpick will do."

China's air passenger traffic is growing by at least 25 per cent a year, the fastest in the world. It now has 39 registered airlines.

Land bill leaves Australians unclear where they stand

Nikki Tait on an Aborigine rights law that pleases few

Noel Pearson, a 28-year-old lawyer, tells a group of Australian senators why he, and fellow Aborigines, negotiated a milestone land rights deal with the government: "It was a salvage exercise – a desperate salvage exercise."

Michael Mansell, speaking for the more radical Aboriginal Alliance Committee, tells the senators that the proposed legislation which has come out of those negotiations and could be passed into law this week, would do little to help his people. Worse, it could impede their rights in some areas.

Both men are presenting their views in a Canberra committee room which, with its air-conditioning and wood-panelling, is far from the scorched red earth at the centre of this fight. There, everyone agrees, Aborigine communities with rudimentary education and limited access to information, have little hope of grasping the complex legal tussle that is going on.

"I can't say that half of Aborigines have any understanding of this bill," says Mr Mansell.

The Australian government's native title bill is also perplexing the business community. Lawyers for the nation's mining and resource-based companies have spent weeks scouring the wording and wondering whether money poured into project development would now be secure from lengthy legal battles.

"Let's put it like this. The lawyers haven't found any problems – yet," says one mining executive, when asked about the likely go-ahead for a stalled multi-million-dollar deal. Summing up the general concern, Mr John Prescott, head of BHP, Australia's largest industrial company, has likened the legislation to "reading porridge".

For all the confusion, its significance is difficult to understate. In simple economic terms, land-related industries are crucial to the nation's prosperity. Mining and agriculture, for example, account for about 7.5 per cent of gross domestic product and provide more than 60 per cent of merchandise exports.

The native title bill represents an attempt by today's Australia to come to terms with a less than glorious aspect of its past. When European settlers first arrived in Botany Bay in the late 18th century, they worked on the premise that land was uninhabited. This was despite an evident indigenous population who were simply "dispossessed". This was compounded by decades of shoddy treatment meted out to the Aboriginal community. A law prohibiting racial discrimination came into force only in 1975.

> The native title bill represents an attempt by today's Australia to come to terms with a less than glorious aspect of its past

Unemployment is high among indigenous people and social conditions are poor. Tensions lurk close to the surface. The death recently of Daniel Yock, a young Aborigine dancer who had been arrested in a Brisbane street brawl, prompted riotous demonstrations, allegations of police brutality, and a public inquiry.

The immediate catalyst for some form of native title legislation has been legal rather than moral, however. Last year, the Australian high court decreed that native title could exist where Aborigines had maintained a close and continuing relationship with the land, although it added that land titles acquired under accepted law since European settlement should not be disturbed. The bill is an attempt to marry these two pronouncements.

In essence it provides for a system of "validating" existing land titles. Where this happened, and except in the case of mining leases, native title claims would be extinguished. In the case of mining leases, native title would be allowed to stand alongside an existing lease, then take over when that lease expired.

However, where a genuine native title claim was extinguished, compensation would be paid by state or federal government. A system of tribunals would be set up to handle claims and adjudicate on compensation matters. Native title holders or claimants would have negotiating rights over the land in question but no veto right.

The compromise nature of the legislation means that its likely practical implications please no one. On the Aborigine side, it is estimated that no more than 10 per cent of the indigenous population would have any chance of successfully asserting native title claims. In most cases, victorious claims would be levelled against vacant Crown land, the largest amounts of which lie in western Australia.

This makes all important the federal government's promise of a land fund to help the majority of Aborigines who did not gain from the bill. "The only way my people in Cape York are going to benefit is via the land fund," says Mr Pearson, for example. But the dollar amount has yet to be spelt out.

Moreover, as more radical voices such as Mr Mansell's point out, even where Aborigines do establish native title they would not get back everything which the land holds. Mineral rights, for instance, would remain with the Crown.

While the mining and pastoral industries know that government would pick up compensation costs, this would not prevent long hearings to establish native title rights. In theory, the private sector should be no more than a bystander in this process; in practice, it would probably incur legal and other costs.

Meanwhile, the ability of native title claimants or holders to negotiate over developments may lead to unwanted delays. Such uncertainties – and there are others – could affect the availability and cost of project finance, it is argued. The nation's biggest mining companies warned this month that the need to establish the native title position before beginning exploration would divert the industry's investment abroad. "You'll see the exploration dollar vote with its feet," says one executive.

And for the general public, there is the big unanswered question of how much the compensation claims would cost, but the government refuses to be drawn. One Treasury official has hinted that higher taxes may be down the road.

Opposition leaders have warned that the sums, including the land fund, could be considerable; the government says it is impossible to assess, although it expects that the number of successful native title claims would be limited.

Judging by opinion polls, this leaves the public as wary as everyone else about the legislation's merits.

N Korean leaders in power struggle

By John Burton in Seoul

Signs of a power struggle were evident at the latest session of the North Korean parliament held in Pyongyang late last week. The clash pits the conservative old guard affiliated to President Kim Il-sung, 81, against a younger generation of technocrats supporting Mr Kim Jong-il, the president's son and designated successor, according to analysts.

"There is a generational conflict in all this," said Mr Adian Foster-Carter, director of the Leeds University Korea Project. "The old guard are said to fear for their prospects once Kim Jong-il takes full charge."

A central point of dispute between the two factions is economic reform. The conservatives believe that opening the economy to foreign investment will undermine the stability of the government as North Koreans become exposed to outside influence.

But the technocrats argue the North is in danger of economic collapse if the country remains closed and sticks rigidly to the governing principle of juche, or self-reliance.

The reformers appeared to carry the day at the latest parliamentary session when they were given two or three years to restructure the economy, including promoting foreign trade and light industry and agriculture at the expense of heavy industry. This decision was accompanied by a report admitting the economy faced serious problems.

But to mollify the conservatives, President Kim's younger brother, once touted as a potential successor, was suddenly appointed a vice-president and politburo member after an 18-year absence. Mr Kim Yong-ju, 71, disappeared from view in 1975 after the president's son rose to prominence and was proclaimed the next leader.

Some analysts believe Mr Kim Yong-ju may be appointed president, while Mr Kim Jong-il will hold the more powerful positions of general secretary of the Korean Workers' party and head of the armed forces.

"Splitting the leadership between President Kim's brother and son would represent a balancing act to appease both the conservative and reformist factions, while keeping power concentrated in the hands of the Kim family," said one analyst. President Kim has simultaneously held all three posts.

Other analysts discount speculation that the rise of Mr Kim Yong-ju indicates President Kim is having second thoughts about his son assuming power. Kim Jong-il still appears to be in charge of formulating policy on the economy and other issues.

The two top economic posts were recently filled by those believed to be reformers, including Mr Yun Gi-bok as chairman of the economic policy committee of the Central People's Committee, the country's senior executive body, and Mr Hong Sok-hyong as state planning chief.

Efforts to attract foreign investment have also accelerated in recent weeks. The government has approved legislation allowing foreign bank operations and foreigners to lease land and visit free trade zones without visas. This follows introduction of a new foreign investment law last year that offered tax incentives for joint ventures, although barriers remain on the repatriation of profits.

South Korean and some western companies, such as Unilever, are studying setting up light industrial plants in North Korea if the dispute over the inspection of the North's nuclear facilities is resolved.

North Korea's interest in developing light industry using western aid would enable it to provide consumer goods to the population in the hope of retaining support for the government. It would promote the production of goods suitable for export, such as textiles and electronic goods, as part of the new policy to develop new overseas markets to improve foreign trade.

The renewed emphasis on agriculture in the new economic policy is meant to overcome shortages in grain production that has cut food supplies and is reported to have led to local disturbances.

Some analysts believe North Korea is using the issue of nuclear inspections to win economic concessions from the west. The strategy may have been adopted by Mr Kim Jong-il to prove his toughness to the old guard, while promoting the goals of the reformers by gaining foreign aid in return for allowing nuclear inspections.

Mayhew 'offered to quit' over Ulster letters

By David Owen and Philip Stephens

Sir Patrick Mayhew, the Northern Ireland secretary, was ready to resign over mistakes contained in government papers giving details of secret exchanges between the government and Sinn Féin leaders.

Friends of the Northern Ireland secretary say his "sense of honour" led him to offer his resignation although the mistakes – which handed the Republicans an unexpected propaganda victory earlier this month – were not his fault. They say that the papers – published last month after the government admitted it had been in contact with Provisional leaders over an extended period – were not kept at the Northern Ireland Office.

Neither Downing Street nor the Northern Ireland Office would comment last night.

The government admitted to the errors in the papers, with Sir Patrick accepting "full ministerial responsibility" for them, late on the night of Wednesday, December 1 – two days after it published its version of the exchanges.

It said the mistakes were the result of transcription and typing errors and did not alter the sense of the messages.

But the admission embarrassed the government because it confirmed that the Sinn Féin version of one key document released by both sides was accurate.

Downing Street said after Sir Patrick's original admission of government contacts with the Provisional leadership that there was no question of the Northern Ireland secretary being forced to resign.

The government's acknowledgement of the contacts cast a shadow over the Dublin summit between Mr John Major and Mr Albert Reynolds on December 3, with both premiers admitting there had been a "frank" exchange.

Meanwhile, the prime minister acknowledged yesterday that a UK-Irish declaration designed to restore peace to Northern Ireland would have to balance guarantees to unionists with recognition of the aspirations of the province's nationalists.

As officials suggested he might yet hold a third meeting with Mr Reynolds as early as tomorrow, Mr Major told MPs they were seeking a declaration to end IRA terrorism.

Despite a fierce warning from Rev Ian Paisley, the Democratic Unionist leader, of a protestant backlash, Mr Major said both leaders wanted a "balanced" declaration.

The two prime ministers planned to speak on the telephone last night or early this morning to try to agree a meeting date.

Mr Major said he could offer no guarantee that a declaration would be agreed before parliament breaks for the Christmas recess on Friday. He also stressed that it was still possible that the talks with Dublin would break down without agreement.

Output prices steady despite exit from ERM

By Peter Marsh, Economics Correspondent

Manufacturers have barely increased their prices since the summer, according to government figures yesterday which illustrate the weakness of inflationary pressures.

In November, prices of materials and energy bought by manufacturers were 1.8 per cent lower than 12 months earlier, the biggest yearly drop since July last year.

The figures from the Central Statistical Office underline how inflation has been falling under the influence of low demand, small increases in wage costs and a fall in the prices of many commodities such as oil.

Sterling's 10.4 per cent depreciation since Britain's exit from the exchange rate mechanism in September last year has failed to spur inflation, in spite of the consequent large increase in the cost of imports.

Prices of crude oil bought by manufacturers fell 16.2 per cent in the year to last month. Over the same period prices of UK-produced foodstuffs fell 3.3 per cent, while prices of general fuels, chemicals, metals and imported foods increased by a weak 0.6 per cent, 0.9 per cent, 0.2 per cent and 4.9 per cent respectively.

Meanwhile flat manufacturing output since the spring has underlined the weakness of the UK recovery and the depressed state of many overseas markets.

Output by manufacturing industry fell 0.2 per cent in the three months to October compared with the previous three months, and was at the same level as in the first quarter.

Factory output between August and October expanded by a weak 1.4 per cent compared with the corresponding period last year after vigorous 2.5 per cent year-on-year growth recorded in May.

Even so, the subdued nature of the manufacturing recovery has been offset by strong growth in energy output, which is at its highest levels for five years.

The seasonally adjusted numbers from the Central Statistical Office illustrate the difficulties faced by much of industry in building up output after the long recession.

The number of business failures and bad debts dropped by a third in the third quarter compared with the same period in 1992, figures from Trade Indemnity, the trade credit insurer, showed, writes Andrew Jack.

In further indications of the recovery in Britain, all regions and all industry sectors reported declines in the number of failures in the period from July to September, according to the insurer.

The total of failures and bad debts, based on reports from Trade Indemnity clients, was 1,171 against 1,780 in the third quarter last year.

The latest figures from Trade Indemnity showed an 18 per cent decline on the second quarter of this year.

Press Association

Britain's last remaining pit ponies are to lose their jobs with the scaling down of production at Ellington Colliery, Northumberland, next March. The ponies – like the ones pictured at Sacriston Colliery near Durham – are stabled 300 feet underground and work up to seven miles out under the North Sea pulling steel girders. By spring, British Coal hopes to have found homes for all the animals.

Bank gives interest rate warning

By Peter Norman, Economics Editor

The Bank of England yesterday gave its clearest warning yet that Britain would raise interest rates if sharp price increases by companies threatened to push inflation through the top of its target range.

Mr Rupert Pennant-Rea, the Bank's deputy governor, weighed into the debate about whether UK companies have raised margins excessively. He stressed that conditions of low inflation require different corporate policies, with bigger sales volumes rather than higher prices.

A month ago, Mr Eddie George, the Bank's governor, sparked controversy when he complained that more than half of recent increases in manufacturers' output prices in the UK came from higher margins. The row was fuelled by Mr Kenneth Clarke, the chancellor, who said a 10 per cent increase in export prices over the past year was a "vivid reminder" that UK management prefers higher returns rather than higher volumes when competing overseas.

Yesterday, Mr Pennant-Rea denied the Bank was telling managers how to run their businesses. However, he stressed that the government's aim of keeping the 12-month change in the retail price index, excluding mortgage interest payments, within a range of 1 to 4 per cent – and in the lower half of that range by the end of this parliament – would have a powerful impact on companies' pricing policies.

"We plan to take inflation off the menu," Mr Pennant-Rea told the City branch of the Institute of Directors. That meant no big monetary boost to pull the economy out of recession, no boom-bust cycle, and avoiding conditions that produced a big surge in wages. It meant companies would not be able to raise prices on the assumption that competitors were doing the same.

The deputy governor's warnings came against a background of disappointing industrial production figures and signs of only modest inflationary pressures from producer prices.

MPs told of fraud at British Council

By John Authers

Two frauds and a theft in the last financial year have cost the British Council more than £500,000, the House of Commons' public accounts committee was told yesterday.

Mr John Hanson, director general of the council, which operates educational services outside the UK, told the committee he "bitterly regretted" the losses, which had led the Council to abandon planned projects in several eastern European countries, as well as South Africa and Malaysia.

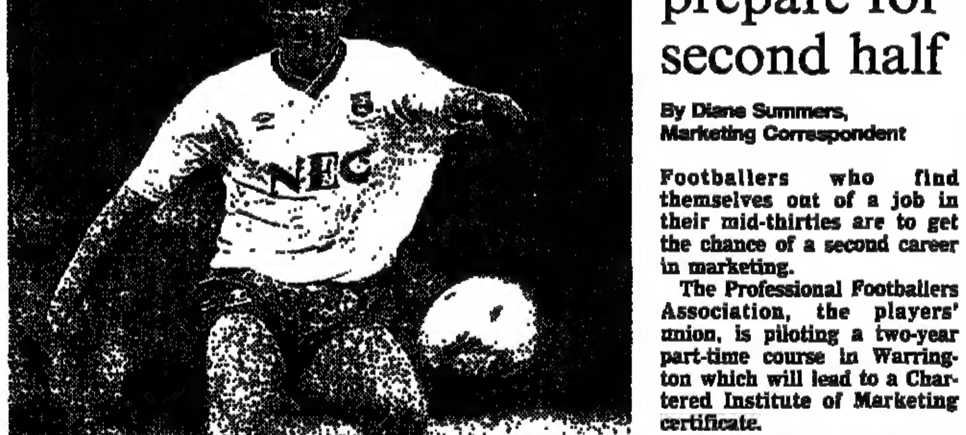
Sir John Bourn, the comptroller and auditor general, told the committee the biggest fraud took place last September, when £520,072 was paid in foreign currency through the electronic transfer system into overseas bank accounts of bogus suppliers, following the receipt of seven fraudulent payment vouchers by the council's banking section.

Mr Hanson told the committee the vouchers had been put into the council's computer system by an "external criminal gang". The council's banking system had not been "protected with the same barrier of controls which had been erected around the main payment system".

Mr Robert Sheldon, chairman of the committee, suggested that the vouchers "could only have been obtained from within the system", and said "there appears to be some criminal element within the body itself".

Mr Hanson admitted that the criminal gang had access to "insider information", but denied that this necessarily came from a past or present British Council employee. He said the gang could have been helped by a temporary employee or contractor.

The police had arrested and charged three people in connection with the fraud, and arrested a fourth, he said. None had ever been employed by the council. To date, only £19,751 had been recovered, he said.



Steve Morton/Allsport

Everton central defender Matthew Jackson is on the PFA scheme

Footballers prepare for second half

By Diane Summers, Marketing Correspondent

Footballers who find themselves out of a job in their mid-thirties are to get the chance of a second career in marketing.

The Professional Footballers Association, the players' union, is piloting a two-year part-time course in Warrington which will lead to a Chartered Institute of Marketing certificate.

A total of seven footballers, including Everton's Matthew Jackson and PFA executive committee member George Berry, are taking part in the pilot.

The aim is to help footballers who want to get a marketing job in sport or industry after they have stopped playing.

Legislators lobby against Thorp

By George Graham in Washington

Legislators from Japan, the UK and the US have launched a last minute effort to persuade the British government not to allow the Thorp nuclear fuel reprocessing plant to start.

With a decision on whether to allow the Thermal Oxide Reprocessing Plant to go ahead, expected within 48 hours, 42 members of congress and parliament from the three countries wrote to Mr John Major urging the cancellation of the project.

The letter was also sent to Mr Morihiro Hosokawa, the prime minister of Japan, whose nuclear utilities are the biggest customers for Thorp's reprocessing services, and to President Bill Clinton of the US, which originally supplied much of the fuel used in the Japanese nuclear reactors.

"The start-up and continued operation of Thorp necessarily will result in a large stockpile of plutonium, contravening the stated policies of Japan and the United States," the letter says.

Thorp, which has been built in Cumbria by British Nuclear Fuels at a cost of £2.8bn, is expected to produce about 60 tons of plutonium over the next decade if a British government review allows it to start up.

Among those signing the letter are Senator Dale Bumpers, Congressman Joseph Kennedy and Congressman Pete Stark in the US, Mr Tony Benn, Mr Simon Hughes and Mr Llew Smith in the UK, and Mr Tadatoshi Akiba and Mr Tatsukuni Komori in Japan.

Bank of England plans shake-up of management structure

By Peter Norman, Economics Editor

The Bank of England is planning an internal restructuring that could result in its operations being grouped in two broad "wings", of which one would focus on achieving monetary stability and the other on ensuring the stability of the financial system.

Mr Eddie George, the bank governor, and its senior directors worked out the plan to replace the Bank's present tangled division of responsibilities in more than a dozen divisions and three departments at a special weekend meeting at Ashridge Management College north of London earlier this month.

The plan, which is viewed in Threadneedle Street as a separate issue from the present debate over whether to give the Bank greater independence from the Treasury in its conduct of monetary policy, is still being thrashed out in detail.

If carried through, it will be the Bank's first significant internal restructuring since 1980. It has followed last July's change of top management when Mr George moved up from being deputy governor to governor and Mr Rupert Pennant-Rea, the former editor of The Economist magazine, was appointed deputy in his place. Mr Pennant-Rea has formed a working party to handle the restructuring.

The plan to create a monetary wing responsible for price stability recognises the more explicit counter-inflationary role that has been given to the Bank since Britain was forced out of the exchange rate mechanism of the European Monetary System in September 1992. The wing would include the parts of the Bank responsible for monetary operations, including the markets section, as well as some banking activities and the economic analysis division.

Banking supervision would be the main responsibility of the financial stability wing, which would also take over the Bank's duties for making the City function well. These include the non-statutory supervision of bullion and foreign exchange markets and gilt edged market makers (GEMMs) as well as its work on payments and settlements systems, stock exchange dealings systems and Lloyd's of London, the insurance market.

Officials stressed yesterday the plans were still a "strategic vision" that would be refined over the next six months. There is no intention to reorganise the Bank in one "big bang" and no time horizon for the full implementation of the ideas.

Rekindling a private interest in the UK public sector

Bids are to be sought for most of the 144 government agencies, reports John Willman

Companies which supply contract services to public bodies have welcomed the announcement that most of the 144 government executive agencies are to be opened to bids from the private sector.

The opportunity to take over, or manage, agencies delivering central government services will be a natural step after a period of fast growth in contracting-out and outsourcing in local government and the health service.

Many companies which had bid for contracts from the government under its market-testing programme have become disillusioned with a process which appeared to favour bids from the 'civil service' (the government's own administration service).

The shift in favour of privatising agencies wherever possible will rekindle companies' interest in providing services to the government.

So far, only one agency has been privatised – DVOIT, the information-technology arm of the Department of Transport. Three other agencies were identified for privatisation when they were created: the National Engineering Laboratory, computer centre – which handles much of the civil service payroll – and Adas, the agricultural advisory service.

Reviews are under way on privatising the Transport Research Laboratory, Companies House, the Patent Office, the Department of Trade and Industry's Accounting Services Agency and four DTI labs.

Two companies scanning the list of opportunities with particular interest are Capita and CSL, both management buy-outs from Cipfa, the professional body for public-sector accountants.

Capita, which started with consultancy and computer services, now collects council tax (local government tax) and business rates for some councils and pays benefits on their behalf.

CSL employs about 700 staff supplying revenue collection, exchequer services and general financial management to public bodies. It has recently become part of Touche Ross, the accountancy firm.

Another company with a track record in supplying services to government is Serco, which specialises in defence and security work. Since 1964 it has run the ballistic missile early warning station at Fylingdales on the North Yorkshire moors, providing services from cleaning to systems maintenance.

Serco's 9,000 employees now provide services in defence, central government, local government and civil aviation in 29 countries. In the UK they run local authority leisure services, manage Hyde Park in London, maintain speed cameras on main roads and operate defence firing ranges.

Mr Richard Nicholls, Serco's marketing director, welcomed last week's initiative to open up the agencies to outside bids. "This reflects the growing interest internationally from governments which wish to concentrate their efforts and resources on the tasks they best perform."

Agencies such as NHS Estates and the Buying Agency will be of particular interest to Mr Oliver Jones, managing director of Symonds FM, a property management company. His 350 employees currently manage property for companies opening for business in the UK, public-sector organisations and newly privatised utilities.

"Our classic client is a bureaucracy facing change," he says, "and there's no bureaucracy like the civil service."

Britain in brief

Major says EU follows UK agenda

Mr John Major claimed that other European Union governments had adopted Britain's agenda for economic recovery and were now endorsing policies which many had regarded as "unthinkable" a few years ago.

In an uncompromising statement in the House of Commons, the prime minister told MPs that the government had endorsed Mr Jacques Delors plans for higher growth and employment only because: "We took out the bits we rubbished".

But Mr Major's account of the weekend summit of EU leaders drew scorn and criticism from opposition leaders. Mr John Smith, the Labour leader, accused Mr Major of backing in Brussels policies to boost employment but then failing to deliver high-quality training and education in Britain.

Fixed licence for Vodaphone

Vodafone, the UK's largest mobile phone network operator, has been granted a government licence to offer 'fixed' services in competition with British Telecommunications.

Until now Vodafone, which has 1m mobile customers, has been forbidden from building or operating a fixed network. Vodafone said it did not intend to enter the 'fixed' market in direct competition with BT.

However, the granting of the licence by the Department of Trade and Industry marks a significant departure in regulatory policy.

Workers on rig evacuated

More than 70 workers were evacuated from BP's Forties Delta production platform in the North Sea after an incident in the flare system. BP Exploration said there was an emergency shutdown on the platform after a suspected internal ignition in pipework. No injuries were reported.

In all 77 non-essential personnel were evacuated to emergency support vessel Iolair – 86 people stayed on board the platform, which is 110 miles north-east of Aberdeen.

NVQs seen as a 'disaster'

Britain's new system of vocational qualifications is today attacked as a "disaster of epic proportions" in a report by a group of leading academics.

Professor Alan Smithers, of Manchester university's centre for education and employment research, said the new national vocational qualifications (NVQs) and general national vocational qualifications (GNVQs) were inferior both to the training schemes which preceded them, and to comparable courses in other European countries.

The new qualifications are weak because they are geared solely to "assessing what students can do rather than what they know or understand", he said.

Career trade unionists urged

Trade unions need to recruit young professional well paid officials, Mr Peter Wickens, personnel director of Nissan Motor Manufacturing (UK), has told the Commons Employment Committee.

Young people could be recruited from outside a union "on the basis of their ability and interest and that they can rise through the ranks by moving from one trade union to another," he said in written evidence to the committee's inquiry into the future of trade unions.

A new class of career-minded officials, he said, "should be paid salaries commensurate with those they could receive at equivalent levels on the other side of the bargaining table."

Ancient moat may be filled

The Tower of London moat may be refilled with water – 150 years after it was emptied as a health hazard.

The long-term project is being considered by the Historic Royal Palaces Agency, which took over management of the tower four years ago - although there are no immediate plans to go-ahead.

The moat was built in the 13th century during the reign of Edward I.

Over the years, it came to be used as a receptacle for rubbish and Edward III, in a bid to reduce outbreaks of plague, introduced the death penalty for anyone found bathing in it.

It remained a health hazard and 150 years ago the Duke of Wellington, commander-in-chief of the armed forces, ordered it to be drained.

Lloyd's Names can sue agents

The Court of Appeal in London upheld the right of loss-making Names on the Lloyd's insurance market to sue their members' agents in a move that paves the way for a series of legal actions next year.

The decision removes one of the final barriers holding up litigation by Names – the individuals whose assets traditionally supported the insurance market – on the Gooda Walker and Feltrim syndicates.

It comes at a time when the Names are deciding whether to accept a £900m out of court settlement offered last week by Lloyd's instead of pursuing legal actions.

Mr Michael Deeny, chairman of the Gooda Walker Action Group, said: "This is a wonderful Christmas present for our members.

"We have now won on every preliminary point tried in our case."

Arms minister admits error

The minister at the heart of the arms-for-Iraq affair said that a secret change to the government's guidelines on defence exports should have been announced to parliament.

The statement to the Scott inquiry was made by Mr Alan Clark, who served first as trade and then as defence minister in the Thatcher government.

Mr Clark said that the change to the guidelines were secretly agreed by ministers in 1988 and were used by officials to approve the export of more defence equipment to Iraq.

He was in favour of announcing it to parliament, but allowed himself to be overruled by the foreign office.

MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

Marriage bureau for business angels

The chancellor made the UK far more attractive for business angels by introducing incentives in last month's budget. But how does the business seeking finance track down this elusive and largely anonymous breed? And how does the angel know where to find suitable investments?

The answer is a marriage bureau. Hot on the tail of Kenneth Clarke's budget the British Venture Capital Association, has produced a guide to these introduction services.

Compiled by Colin Mason of Southampton University and Prof Richard Harrison of Ulster Business School, the guide says the business angel can provide the first rung on the financing ladder.

Directory of Business Introduction Services BVCA, 3 Catherine Place, London SW1E 6DX

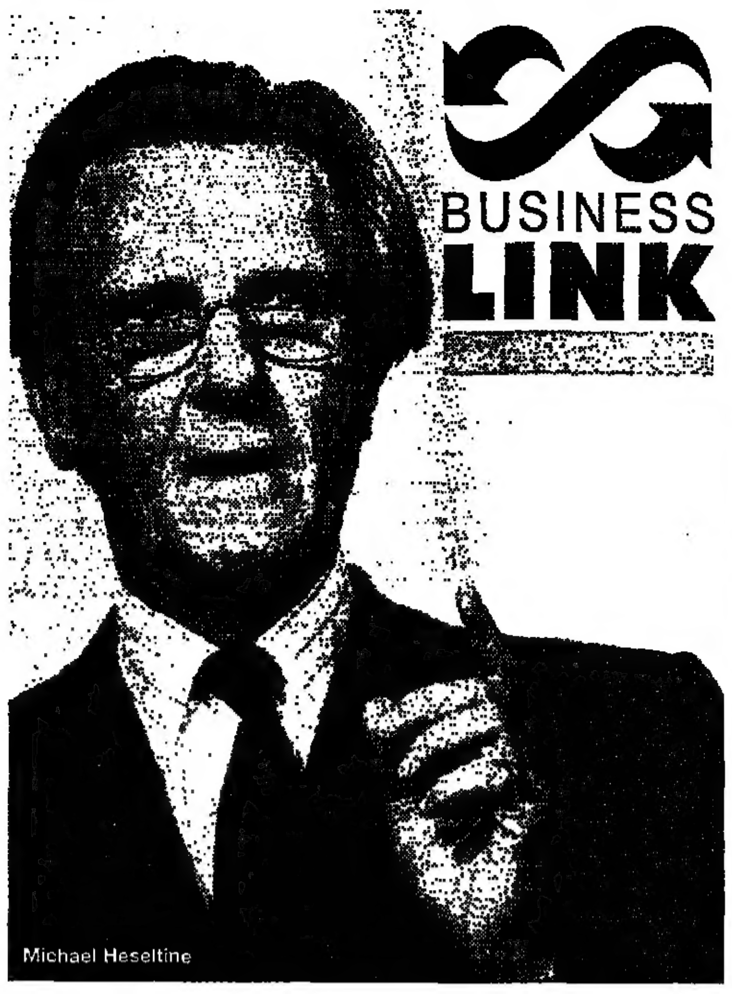
Granville teams up with Postel

Granville, the private investment banking group, has strengthened its links with Postel, the UK's largest pension fund, and formed a joint venture to manage the two groups' private equity portfolios.

The new venture, Granville Private Equity Managers, will manage Postel's £195m private equity fund, Granville Development Capital's existing funds and an additional £50m which Postel has allocated for new investment in the next three years.

The deal is an example of the kind of consolidation that venture capital industry observers expect to see over the next 18 months. A number of venture capital groups are struggling to raise capital for new funds and thought to be seeking strategic mergers.

Postel already has a 16 per cent stake in Granville. Two Postel fund managers, John Brakell and Ray Maxwell, will move across to the new venture.



Michael Heseltine

One-stop help shop

Richard Gourlay looks at plans to speed up the development of a UK network of advice centres

When Roger Stretch decided to buy some hi-tech laser machinery for his family-owned metal working business, he realised he would need a Department of Trade and Industry grant.

Casting aside a long-held suspicion of consultants, Stretch approached Business Link Birmingham, which he was told had become a one-stop-shop supplying advice and support to business.

"I am basically using the Business Link to sort out the paper work for me and let me get on with running the business," says Stretch, managing director of Mackenzie Tools & Production, a Birmingham-based metal working company which employs 45 people.

Birmingham was the first of the Business Links to open its doors – quickly followed by Leicester and Congleton – but the aim is to offer the service throughout the UK. Within three years, the DTI hopes about 70 large and 130 smaller Business Links will be set up, all providing one port of call for businesses wanting the support services now supplied by a multitude of organisations.

To speed their development, Michael Heseltine last week increased the budget for the roll-out of the Business Link brand from £3m this financial year to £17m next year.

The idea of bringing the diverse sources of help for business under one roof has gained strong national support, particularly from the business community itself. That said, there are still problems to be overcome before the network extends across the country.

In theory each Business Link office is meant to be a partnership between the local Training and Enterprise Council, local authorities, chambers of commerce, enterprise agencies and the DTI, all of which provide different forms of support. All will have to subsume their identities beneath the Business Link flag.

Each Link will structure its services as it sees fit but the range will be similar. Business Link Birmingham, for example, offers advice, counselling and support covering eight areas; exporting, sales/marketing, quality, team development, property, management/finance, technology and legal/regulation.

The problem is that in some areas the chambers, Tecs and local authorities are finding the idea of forming a partnership easier than actually putting it into practice.

Some Tecs, for example, are trying to be too dominant within the partnership and are incurring the DTI's censure; in other areas chambers of commerce fear they may lose traditional sources of financial support once the Business Links become self-funding in three years time. The strain has already proved too much at Business Link Leicester which last month parted company with its chief executive.

"Everyone is digging their institutional heels in and worrying about their long-term sources of income," says Brian Wright, chief executive of the London Enterprise Agency and a member of the Business Link London steering board. Partners have to be prepared to lose some power, control and local identity if the Business Link concept is to have widespread success.

Under the careful watch of Heseltine, a great believer in removing the disconcerting confusion for businesses seeking support, the DTI is determined that these turf battles do not dilute the Business Link product and turn it into just another provider of services.

Bids for Business Link contracts from places like Thames Valley, where there is a strong chamber of commerce beside a strong Tec, are therefore progressing well. By contrast, government approval of Business Links appears to have been withheld in some of the home counties, where, for the moment at least, there is a lack of strong partners for the local Tecs.

One pressure that might lead to stronger partnerships is local demand from businesses for what Business Link can offer. Alun Dow, chief executive of Birmingham Business Link, is in no doubt that this demand exists. "The majority of the enquiries have been a general interest in seeing what we can do," he says.

In the first nine weeks, his switchboard received 3,800 enquiries. From these contacts his personal business advisers – in Birmingham's case a network of 55 independent consultants who behave like general practitioners – will be conducting more than 340 diagnostic reviews. They make the first contact with clients and, if necessary, refer them to specialist consultants. So far 100 Birmingham companies have been passed on in this way: they pay a fee subsidised by the Business Link for the service they subsequently receive.

Business Link support has also shifted perceptably away from an earlier focus on the smallest companies, many of which had no realistic chance of growing. Business Link Congleton, for example, is willing to support sizeable companies like Airbags International, a subsidiary of Electrolux of Sweden.

Eighteen months ago, the Congleton company which makes safety airbags for Ford, Saab and BMW, was about to embark on a manufacturing programme that would increase its workforce from 30 to 200 people. It realised it needed help handling the growth in its labour force and the transition from what was effectively a research and development company. It turned to South and East Cheshire Tec – now a partner in Business Link Congleton – for an Investors in People programme which helps companies achieve a nationally agreed standard for training and developing staff.

"Business consultants came in to look at the company to see where we were hoping to get to and to look at the people we have employed and to match them with our development goals," says Ewen Guy, Airbags' personnel manager, who was also sceptical of consultants who would not help implement their advice. "The Tec helps implement the programme; that is one of the main reasons we took the Tec route."

One danger of casting their nets this wide is that the quality of diagnosis and advice may not be maintained. There may simply be a shortage of adequately qualified consultants trained in Business Link's approach. "The personal business advisers will have to be paragons of all the virtues," says Wright. "I wonder about the sheer volume they can get through."

How to enjoy a good grilling

James Buxton observes the start of a new business forum in Scotland

The questioning was tough. "How many deals have you lost because your prices were too high?" the electronics manufacturer was asked.

"I think about one," he replied.

"That's not enough," he was told. "You're charging too little. If your prices are too low you make yourself too obvious to your competitors, who will react to put you out of business."

This exchange took place recently not in a private meeting between a managing director and his consultant but in front of about 60 businesspeople and professional advisers one evening in Glasgow. It was Scotland's first forum of this kind, aimed at encouraging the creation and growth of new businesses, and is modelled on the Enterprise Forum pioneered by the Massachusetts Institute of Technology in Cambridge, Massachusetts, in 1978.

The bosses of two small electronics companies each gave a 20-minute presentation, outlining their business, its history, how it worked and its strategy. Then three senior figures from the Scottish electronics industry gave a brief assessment of the company and asked hard questions.

Next, the other participants, from high tech companies, banks, accountancy firms and venture capital companies, made suggestions and asked questions. The grilling was moderated by an American facilitator.

The forum has been introduced to Scotland by a group of businesspeople and professionals inspired by an initiative of Scottish Enterprise, the development body, to improve Scotland's low rate of new company formation.

The business forum differs from other seminars and presentations in allowing young companies to bare their souls in a non-adversarial atmosphere. The chairman of the session, Peter Timms, managing director of Flexible Technology, a PCB assembler, says the aim is "to allow ambitious entrepreneurs to test their ideas and overcome the uncertainty and loneliness of running a young business."

The companies which make the presentations benefit most: they publicise their businesses, pick up advice, make contacts and meet potential investors. But for everyone else it is still a chance to gain business, either from the presenters or from contacts made during the evening.

The first presentation was by David Milne, managing director of Wolfson Microelectronics, an Edinburgh semi-conductor company seeking to move from designing chips to supplying finished products, manufactured under contract. He had to explain to an assessor (who, unlike the rest of the audience, had studied the company in advance) what really distinguished his company from other semi-conductor producers.

The other presenter was Mike Eccles, managing director of Sunnyside Systems, employing four people in Livingston, West Lothian, which makes electronic test and measurement equipment for customers such as Rolls-Royce.

One entrepreneur from the floor wondered if Sunnyside Systems was taking itself seriously enough. "You seem to have got into this almost by chance – I'm worried you might drop out of it by chance."

Assessing the forum later, Eccles said that preparing his presentation clarified his mind about the company and its strategy, and he found the comments and suggestions useful. Above all he was subsequently contacted by several potential investors and partners.

Milne found the technical critique useful but felt that one of the assessors should have been a financial expert, "to bridge the gap between financing and manufacturing." Although he was already close to securing finance for the next phase of Wolfson's development, he believes he may have made contacts at the forum who would help with the subsequent stage.

Both men appreciated meeting so many potentially useful people in a friendly and supportive atmosphere.

Where the business forum could be even more constructive – or possibly destructive – would be in assessing the business plan of a company that has only a business plan, and no track record. The next forum, in February, is scheduled to do exactly that.

PEOPLE

Miller/Williams five-year partnership comes to an end

John Miller, finance director of paper and packaging group David S. Smith, is leaving in mid January after the interim results, ending a five year "partnership" with Canadian-born chief executive Peter Williams.

Miller, 45, played down the reasons for his departure. "It is a great job here, and it is very difficult to explain why you do something like this without sounding smug, but occasionally you wake up in the morning and realise how ignorant you are. I'd just like a change."

He feels he has helped change the company "mostly for the good", and thinks it is "a safe time to leave". He stresses there is no falling out with Williams.

For his part, Williams acknowledges that it is "a surprise when someone as young as John decides to move on" but goes on to stress that "there was no corporate reason. I guess if you decide your backswing is rusty and you value that . . .".

This is the third job in which Miller has worked closely with Williams. Both men had been veterans of Reed International, Miller since 1974, shortly after qualifying as a chartered accountant. He began reporting directly to Williams from 1987, as finance director of the European manufacturing division.

Shortly thereafter, Williams led the management buy-out of Reedpack, the paper and packaging businesses of Reed, which was then sold on to Swedish Svenska Cellulosa, at a handsome profit, in 1990. Miller joined him as Reedpack's finance director, picking up around an estimated £2m from the proceeds of the buy-out.

He is replaced at David S. Smith by David Buttfield, the financial controller, also a Reedpack man. "I want to make clear this is not just jobs for the Reedpack boys," says Miller. "We did do a proper outside search."

Meanwhile, the outgoing finance director has yet to decide how to repair his "ignorance", but would consider anything from "positions elsewhere in industry not necessarily as finance director" to spending a year studying fine art at the Courtauld Institute.

Movement at Midland

Unilever executive director Charles Miller Smith, who was in the running for the chief executive's job at Barclays Bank, has finally found a seat in a clearing bank boardroom. He has been appointed a non-executive director of Midland Bank, the UK arm of HSBC Holdings.

Miller Smith, 54, is a main board director of Unilever where he has executive responsibility for food activities in Southern Europe. He is thought to be one of the two front-runners to take over the chairmanship of the British arm of Unilever when the current incumbent, Mike Perry, retires in about three years' time.

Miller Smith, who is also a non-executive director of ICI, replaces Charles Mackay, chief executive of Inchcape, who joined the Midland board in November 1992. Mackay, 53, will continue as a non-executive director of Midland's parent HSBC Holdings.

Meanwhile, John Skae, 57, Midland's company secretary since 1985, retires at the end of the year. Ralph Skae, 42, HSBC's company secretary, will assume the additional responsibility as company secretary of Midland Bank.

■ Charles Laughton-Scott, formerly marketing director, Midland corporate banking, has been appointed head of shipping and aerospace at MIDLAND BANK on the retirements of Alan Brauner and Laird McAslan.

■ Christopher Langley, chief executive officer of HongKongBank's Malaysia Area Management Office, has been appointed a general manager of the HSBC Group.

■ Richard Barnes, formerly a director of Grampian Food Group, has been appointed deputy general manager and head of corporate finance at the London branch of CREDITANSTALT-BANKVEREIN.

Herbert retires from Tussauds

Michael Herbert, who joined the Madame Tussaud's waxworks when there were still Tussauds in the business, is retiring after 18 years as chief executive of Tussauds, which is part of Pearson, owner of the Financial Times.

Herbert, who will retire on April 30 1994 at the age of 60, has overseen Tussauds' growth into the UK's leading commercial operator of leisure attractions visited by over 8m visitors a year.

Apart from Madame Tussaud's, the group now includes Alton Towers and Warwick Castle which rank among the UK's top ten visitor attractions.

When Herbert joined Tussauds in 1967, as its first accountant, it was an "unfashionable little public company" chaired by Reuters' Sir Christopher Chancellor. It had poor financial controls, was visited by 1m people a year, and was suffering from fierce competition from rival attractions such as the London Zoo.

Herbert took over as finance director in 1971 and the group was trying to buy Chessington Zoo from a subsidiary of Pearson when it found itself the subject of a contested bid battle from Lew Grade, the television impresario. Pearson won the day in 1978 and Herbert stayed on as chief executive.

One of the keys to Tussauds' success is that it has never made any attempt to call itself a museum. "We are in the entertainment business," says Herbert, who believes that this approach has helped Madame Tussaud's, in particular, survive periodic threats from rival attractions ranging from the advent of cinema to the hologram.

He will be succeeded by Michael Jolly, 41, Tussauds' chief operating officer, who joined the group in 1983 after working on the marketing side of Cadbury Schweppes.

Non-executive directors

■ Bernt Magnusson, chairman of NCC AB, at BURMAH CASTROL.

■ Sir Julian Oswald, former First Sea Lord, and Amaury-Daniel de Seze, a member of the management boards of Compagnie Financière de Paribas and Banque Paribas, at SEMA GROUP.

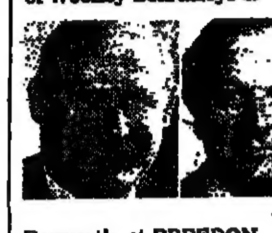
■ Bill Morrison, recently retired as deputy senior partner of KPMG Peat Marwick, at BRITISH LINEN BANK.

■ Kevin O'Sullivan, financial director of Greencore, as chairman at KEW GROUP.

■ Greg Parkos, retired president of the Whittaker Corporation, at COOKSON GROUP.

■ Affonso Pastore has resigned from BRAZILIAN INVESTMENT TRUST.

■ James Blood, senior partner of Woolley Beardsleys & Bosworth, at BREEDON.



■ Sir James Birrell (above left), former chief executive of the Halifax Building Society, at WESLEYAN ASSURANCE SOCIETY.

■ Michael Foster (above right), executive chairman of Courage, at GEEST; Leonard van Geest has resigned.

■ Michael Smith, senior partner of Titmuss Sainer & Webb, at CATER ALLEN Syndicate Management.

■ Colin Buffin has resigned from MOTOR WORLD GROUP.

■ Michael Butler at EDINBURGH FUND MANAGERS; Sir Colin Barker and Paul Whitney have resigned.

■ Peter Cawdron, strategy development director of GrandMet, at COMPASS GROUP.

■ Michael Buckley, head of investment banking at AIB capital Markets, at The FIRST IRELAND INVESTMENT COMPANY on the resignation of Tom Mulcahy, AIB's chief executive.

■ Robin Singer has resigned from JIB GROUP.

■ The Rt Hon Archie Hamilton MP at The WOODGATE FARMS DAIRY.

BUSINESSES FOR SALE

COMPANY NOTICES

BUSINESS AND THE LAW

Not a matter for national discretion

EUROPEAN COURT

The European Medicines Directive leaves no discretion to member countries when deciding whether to suspend or withdraw a particular *product*, the European Court of Justice ruled last week.

The decision was made on a preliminary reference from the Italian State Council. The Italian health minister had declared authorisations for certain medicinal products invalid under an Italian law, which allowed him to do so when products authorised for sale were not put on the market within 18 months.

Under *European* law, medicinal products are subject to a number of directives aimed at progressively establishing the free movement of such goods throughout the European Union, while ensuring that public health is protected.

The directives *lay* down rules on public health grounds for the suspension or withdrawal of authorisations for *such products. It is also* clearly stated that such rules are exhaustive.

The Court therefore had little difficulty in deciding that there was no discretion which could be exercised by the national authorities in this area.

The Court was also asked to rule whether a national law which allowed *authorisations to* be declared invalid rather than suspended or withdrawn was also contrary to European law.

The Italian government argued that declarations of invalidity were different from measures of withdrawal or suspension and thus member states were not limited in their use of the former by the terms of a directive which only dealt with the latter.

The Court agreed that declara*tions of invalidity* were *different* from measures of withdrawal but held that their effect was the same – to annul an existing authorisation. The Court also said that the present framework established by the relevant directives would be affected if member states were allowed to use ways of annulling authorisations other than those set out in the directives.

C-83/92: Pierrel SpA v Ministero della Sanita, ECJ 5CH, December 7 1993.

Initiation of dumping review requires sufficient evidence

The European Commission must have sufficient evidence of the dumping of goods and the injury caused before initiating a review of anti-dumping measures, the European Court ruled last week.

The case related to the imposition of definitive anti-dumping duties on a Brazilian exporter at *the conclusion* of a review. The problem arose because in the original proceedings four years earlier, the *Brazilian exporter had* been cleared of dumping.

The evidence which the Commission took into account when deciding to initiate the review did not include evidence of dumping by that exporter.

The *Commission* argued that it was not necessary to adduce sufficient evidence of dumping and injury before *initiating review* proceedings as the original proceedings, for which such evidence was necessary, had not been closed. All that was necessary was evidence of changed circumstances to justify a review.

The Court said procedural rules for reviews made it clear that sufficient evidence had to be adduced before initiating such proceedings. It then said, however, it was not necessary for the evidence to relate to dumping on the part of each of the undertakings concerned as anti-dumping proceedings relate in principle to all imports of a certain category of products from a third country, not to imports of products manufactured by specific companies.

The Court said the Commission had relied on two pieces of evidence. First, evidence provided by exporters who had been subject to anti-dumping duties that their exports were no longer being dumped and that the Community industry therefore no longer suffered material injury. Second, evi*dence that there was overcapacity* in the product market which had brought about a substantial fall in prices in the Community.

The Court ruled that neither piece of evidence amounted to sufficient evidence of dumping to justify a review.

C-216/91: Rima Electrometalurgia SA v Council and Commission, ECJ 5CH, December 7.

BRICK COURT CHAMBERS, BRUSSELS

Benefits of the Bar's broken monopoly

Robert Rice looks at the effects of last week's decision to extend rights of audience in the High Court to solicitors

It has taken almost 15 years of pressure and wrangling but the Bar's 200-year monopoly on advocacy in the higher courts has finally been broken.

Last week, Lord Mackay, the *Lord* Chancellor, and England's four most senior judges approved the *Law Society's application for wider* rights for solicitors in private practice in England and Wales. The move will allow solicitors to represent their clients in court – at present they are confined to magistrates' court and county court advocacy.

The big City law firms have been quietly getting ready for High Court advocacy, and the decision marks the start of an intense period of training to prepare advocates for the challenge. It also puts an end to the increasingly redundant notion that solicitors are mere general *practitioners and that it is* barristers who are the true specialists.

The decision also represents a personal triumph for Lord Mackay. Rights of audience for solicitors formed the central plank of what he had promised in 1989 would be "the biggest shake-up of the legal profession this century".

The shake-up has taken longer *than he hoped, but he has survived* the hyperbole and at times intense hostility to his plans from the Bar and judiciary. Whatever the Bar may say, this one measure will, over time, change the practice of law in England and Wales irrevocably.

But perhaps those with the biggest cause to celebrate are the clients, particularly international clients of City law firms, many of whom have never understood why the person who knows their case backwards has to hand it over to someone else to present in court.

Mr David Fraser, a litigation partner of *Baker & McKenzie*, the world's biggest law firm, says US clients accept the English system (there is an element of a two-tier system in the US), but there is a resistance to paying for an outsider to enter the loop at a late stage.

In future clients should benefit from a reduction in the cost of litigating, and from greater choice and flexibility in the way their cases are handled.

This can only boost London's *position* as a *centre of commercial* litigation and increase the already significant contribution of more than £400m which international commercial litigation makes to Britain's invisible earnings.

Mr John Trotter, a senior litigation partner at City solicitors Lovell White Durrant, says the cost savings will depend on the nature of the individual case.

If there remains a need for someone to take the solicitor's tradi*tional role of back-up and support* to counsel, the savings from having a solicitor as opposed to a barrister doing the advocacy may not be large. The main savings are likely to come from not having to inform counsel about a case at a late stage and from avoiding the Bar's "brief fee" system, he says.

At present barristers' fees for a case are made up of a "brief fee", a *form of retainer for taking on* a case, and a daily fee or "refresher", for each day spent in court.

For a commercial trial estimated to last four weeks, the brief fee could be as much as £30,000 to £40,000. If the case settles after two days, the barrister loses only the daily refresher.

The Bar's justification for this *system is that barristers have to be* paid for preparatory work carried out on a case and for the the time blocked out in their diaries for the possible duration of the case. If a case settles after two days, the barrister could be left twiddling his thumbs for three and a half weeks.

Commercial clients will not agree to pay solicitor advocates a brief fee, says Mr Trotter. The advocacy element of the case will be charged on a time basis, so that, if the case settles after two days, the client will only pay for two days. This should produce substantial savings, he says.

The Bar says that using solicitor advocates will be more, rather than less, expensive. It believes that solicitors' considerably higher overheads will make it impossible for them to compete on cost.

This is one of the main reason's why the Commercial Bar, in particular, is not overly concerned by solicitors gaining rights of audience.

Mr Julian Wilson, a litigation partner at City solicitors Herbert Smith, believes solicitors can compete effectively on cost in spite of higher overheads.

First, cost savings can be made by removing the duplication of effort in briefing a barrister. Second, solicitors are now more competitive on price – the recession has put enormous downward pressure on solicitors' fees, which the Commercial Bar has been sheltered from.

Most solicitors agree, however, that solicitor advocates will not appear in the High Court overnight. It will be an evolutionary process, because of the hoops they must jump through to qualify for a High Court advocacy certificate.

Trevor Humphries

The two-tier system in Britain's legal profession is set to come to an end

Solicitors will have to show a degree of "relevant" advocacy experience. The big unknown is how the *Law Society will interpret the rules* about what is and what is not relevant experience.

At the moment the rules suggest that experience in arbitrations and before tribunals, applications before a judge in chambers, and experience gained in the High Court instructing and working with barristers will all count.

The rules also suggest solicitors *will have to show experience of for*mal advocacy in court. This is likely to mean advocacy in the county court, where solicitors already have automatic rights of audience. This could present a problem for City law firms, because they do not do much county court work.

The irony, says Mr Wilson, is that under the rules as they stand the *high-street solicitors who do the* vast bulk of county court advocacy work and may not want to do High Court advocacy will find it easier to qualify for a High Court advocacy certificate than solicitors with the most experience of the High Court.

Mr Wilson hopes that in county court cases, where high-street solicitors would normally brief a barrister, they will in future refer county court advocacy work to City law firms.

The resulting increased competition for county court advocacy *would benefit clients* by *leading* to improvements in efficiency and lower prices.

*There are plans to set up a com*mercial county court for central London next summer with a jurisdiction of £50,000 – until recently, claims above £5,000 went to the High Court. The new London county court would provide a valuable training ground for the City firms.

The *firms* are under no illusions, however. They know that gaining enough county court work for their solicitor advocates will be difficult, particularly if, as Mr Trotter points out, each solicitor has to show experience of 20-25 court appearances a year for two years to obtain the certificate.

In spite of these obstacles, the big City firms are determined to train their solicitors to become advocates to offer clients a modern, all-round commercial litigation service.

How much High Court advocacy do they expect to do? Mr Wilson would *not like to* hazard a guess, but it will be many years before the majority of Herbert Smith's advocacy requirements can be met in-house, he says.

Mr Trotter is also reluctant to be drawn, but would not be surprised if, in 10 years, Lovells is doing between 30-50 per cent of its own High Court advocacy.

So it seems there will always be a need for a Commercial Bar, albeit a slimmed-down one.

The problem for the Bar is that its training ground for the next generation of barristers appears to be rapidly disappearing. City solicitors doing county court work and high-street solicitors beginning to compete for Crown Court advocacy will mean less work for junior barristers to cut their teeth on.

And if Crown Prosecution Service lawyers get the right to prosecute in Crown Court trials, there may no longer be enough work for junior barristers to enable the independent Bar to survive.

TECHNOLOGY

UNDERGROUND

COMPANY SNAPSHOT

Nature of business: London Underground serves the London region with a network of 273 stations, 10 lines and 254 miles of track, providing 2.5m passenger journeys daily. Investment in new projects such as the Jubilee Line extension to Docklands (£1.8bn) takes place against a struggle to maintain an ageing infrastructure.
Employees: 17,000
Turnover: During 1992-93, income was £642m, with operating costs of £621m. It has a lower investment by government than any other underground railway in the world: £373m this year for the entire London transport network including buses and Tube.
Key personnel: Dennis Tunnicliffe, managing director; Alan Watkins, chairman; Nick Agnew, revenue support manager; David Field, AFC engineer; Peter Cruickshank, AFC software manager.

TECHNOLOGY FILE

Software: The Divorced System was written in six months using the Cognos fourth-generation language PowerHouse and Digital's Rdb database. Explained as Diverse Integration and Verification of Revenue Collection Electronic Data, its name really derives from the Romance revenue system it replaces: an application written in Pick Basic and running on two Fujitsu minicomputers. Rdb is used for the "base data" on fares.
Hardware: The Fujitsus are being replaced by a two-node cluster of Digital Equipment 4000/300 Vax minicomputers under the VMS operating system version 5.5. These were installed in July 1992 to upgrade the Data Gathering Centre, which collects real-time data from stations.
Supplier: Cognos, a US software house with a UK office in Bracknell, won the business on the basis of a benchmark race that included databases from Oracle, Ingres and Digital, administered by an independent consultant, Wokingham-based LSI.
Other systems: Existing operational systems use a mixture of hardware including old Digital PDP-11s, used for station simulation. There is a PDP-11 at most Tube stations: 274 installed at 248 stations, supporting 2,500 devices such as Poms and Toms (see Buzzwords), and the gates themselves.
Cost: For the software alone the cost was £115,000 (with extra hardware accounting for £75,000), the cheapest of all possible solutions by about 30 per cent.
Development was done in-house by Peter Cruickshank's team. Total project cost is estimated at £350,000.

Claire Gooding looks at London Underground's new system for the management of fares in a series on getting the most out of software

A revolutionary ticket to ride

SOFTWARE AT WORK

"You can lie," say the Underground posters, "but your ticket can't". The magnetic strip on the back of the Tube ticket holds a wealth of information used in Automatic Fare Collection (AFC). Often crumpled to the point of extinction, the card is actually a vital engineering component in London Underground's efforts to protect its revenue.

Fraud on the Tube is estimated at £30m annually. The ticket is not just proof of a contract to travel: it can prove where and when in the system you travelled. Already, it is used to claim refunds on delayed journeys. In the future it could provide discounts and "stored value" credit.

Like the rest of the Underground, ticket technology is straitjacketed by the legacy of the past, and every investment has to be viewed with an eye to the future. This month, a new system goes into full operation which puts into place the basis for future management of fares. Called Divorced (mostly because the old system it replaces is known as Romance), it speeds up financial reporting and provides the vital ticket-derived information used in fraud detection. During tests it helped to estimate lost revenue during the recent power cuts, including refunded fares for 20,000 delayed travellers.

David Field, the AFC engineer for London Underground enjoys a challenge, which is just as well. Keeping the Tube running on its worn-out tracks with ancient trains and a dodgy power supply might be thought challenging enough. "We have this undying belief that you can keep things working for 60 years and more. And you can, if you spend money at the right time."

Field specialises in introducing new technology into this scenario at minimum cost and disruption. He is responsible for both the "heavy metal" end of AFC, the automatic ticket-vending machines, the gates themselves (once dubbed "Rottweilers"), and the hardware and software underpinning them.

He sums up AFC's role succinctly. "Reducing costs while improving service is what we do – freeing money for other things." In information technology, he looks to spend the absolute minimum, and he wants "building blocks" that will contribute to future plans.

Field's customers are not those careless commuters who jam crumpled tickets in his high-technology gates, but the accountants in the London Underground revenue office. Automation started in 1964, with the first machine at Acton, west London. Much of the equipment replaced by the gates originated in the 1920s, and it took until 1987 to complete the process. When Field came to London Underground in 1985, the ticketing system was already specified and he had to implement it.

Stations built in the last century cannot always be adapted for automatic gating, but they can all be connected to a central computer, and most can benefit from passenger-operated ticket issuing machines. These, and the Ticket Office Machines (Toms) behind the counter are linked to a central system which feeds real-time operational and maintenance systems as well as revenue-tracking.

Field takes a global view of what is possible in public transport, fuelled by his seven years' experience in the Hong Kong Mass Transit system, which was built from scratch and completed in 1979. One of his dream tickets is the idea of "stored value" already used in Washington DC. A re-usable smart card, resembling a credit card, could be recharged with cash, and automatically debited on buses and taxis as well as the Tube. Field is only too aware of the practical implications of extending such a system to the entire transport network.

The project is currently out to tender and would need an investment of tens of millions of pounds. Every station would need validation, and tickets would need a machine-readable unique identifier, technically quite easy to add to the current numbering system. Most of the information is already there, partly because of information systems that have paved the way to future developments.

"I managed to convince the management that a holistic approach was essential," says Field. "It became obvious that, like everything else, the computer system was wearing out."

The target was to show revenue within 24 hours. But, as Field explains: "Under the old system, if you buy your ticket at 9am on Monday, that doesn't show on the revenue system until Wednesday morning. It concerned our financial director that he couldn't reconcile what was banked with the figures from the computer. And when we explained the security risks they were taking, they were aghast."

New computers installed for data collection provided some extra capacity. This gave the AFC department a chance to put together software which would not only upgrade the old revenue system with 24-hour reporting, but do some "contingency planning". This included catering for penalty fares – the on-the-spot £10 fine planned for April 1994 – and line target monitoring, which allows operational assessment of the ticket machines.

"We know penalty fares are coming along. We realised that much of the management reporting, from both the engineering and operating viewpoint, was not as efficient as it might be. People were using the PC route to get around that, and transposing data, which is clumsy. The Divorced software will eventually give us a seamless system." Currently, the control centre – into which the ticket-issuing machines report several times a minute – uses an array of screens, and the controller has to retype log information from one to another.

There were other considerations besides the revenue backlog. New requests were becoming common, as Peter Cruickshank, the AFC software manager, explains. "There was a continuous flow of requests from the network planning office about the types of ticket sold, and so on. The Romance system would have needed major updates to cater for them."

Cruickshank's previous experience with fourth-generation languages (4GL) suggested that a 4GL might provide a low-cost solution. This would allow flexibility for end users, and provide a platform for future developments. Performance as well as ease of use was important. After rigorous benchmarking, the AFC department selected PowerHouse, from Cognos. As ever, the specification did not stand still: "standard" reports mushroomed from 20 to 69, and new ideas were adopted during development.

A daily user of the system, and now manager of Divorced, end-user Mike Dennis of the revenue office worked closely with the developers. His swift demonstration shows how the system can now track the 700,000 daily ticket sales, showing everything from the throughput of particular gates, to excess fares, car-park takings and a detailed report on a ticket issued the day before. "It took six months to get to what we have now, and it does far more than we originally specified." That flexibility has been the main benefit of using a 4GL," says Dennis.

Apart from penalties and refunds, existing complex fares will become more innovative, using timings and zonings for discounts. In effect, London Underground has all the information in place for a revolutionary approach to fares.

■ BUZZWORDS

PUBLIC OPERATED MACHINES (Poms) are automatic ticket-issuing machines which include Few Fare Machines and Multi-Fare Machines. The Poms report automatically to a control centre, which is monitored 24 hours a day.
TICKET OFFICE MACHINES (Toms) are operated by the clerk.

Trevor Humphries

Heavy metal: David Field aims to cut costs while improving service

CONSULTANT'S CRITIQUE

David Field, the AFC engineer, reminded me of the poor marine engineer who appears in disaster films – up to his chest in water while the passengers waltz on the deck above. Many of the systems he is using are obsolete. This is bad news for everyone except a few contract programmers. They are able to cash in on the rarity value of their skills and charge a premium – often twice the going rate.

It is true that whatever decision you make about computer strategy could be wrong. London Underground chose Pick as the basis of its systems. At the time, it looked to have advantages over systems such as Unix. Often, blind chance seems to decree which will be the swan and which the turkey.

For this reason, companies must remain flexible in their IT strategy. Those that declare that open systems are the only way forward may be left in the wake of the Windows NT rush. Technicians are fond of declaring which is the best operating system but that often has little to do with its success or failure in the market.

I saw one chap at the Underground copying data manually from one screen to another all day. The two systems were unable to talk to each other. It was a depressing sight – human beings were never meant for such drudgery. Planned enhancements to Divorced will free him for more productive work.

The Underground seems plagued with such incompatibility – the old Romance system passes data between two systems on magnetic tapes. The format used is common to neither system. One computer converts data into that format then the other converts it back.

I feel that the benefits put forward are a long way from real management information. While the old system was horrendous, the new one is in danger of standing in isolation.

It is essential that any IT strategy embrace all the aims of the company rather than taking a parochial view.

Kevin Grumball

The author is a consultant at Software Design and Construction, of Milton Keynes

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Concert

'Ritual Fragment', Mahler's Tenth

On Sunday Mark Wigglesworth conducted the London Philharmonic – except in Harrison Birtwistle's *Ritual Fragment*, which needs no conductor. That was one of the many elegies, or "in memoriams", composed for the late Michael Vyner, artistic director of the London Sinfonietta, and it has worn well. All of the performers whose instruments are portable take their turns at a central music-stand, one by one, laying their own melodic wreaths over soft background commentary and funereal thwacks on a bass drum.

If the LPO players are less used than the Sinfonietta team to playing while processing, they went through their paces with unruffled gravity. The piece wrought its proper spell. Birtwistle is now the LPO's "composer in residence", and the *Ritual Fragment* had been used in an Education Project. Before the concert proper, we heard three school groups delivering pre-improvised music inspired by it – or so we were told: except for one excursion into jazz, it seemed shapeless stuff. Birtwistle's ideas are inimitable, least of all by children.

In Mozart's Sinfonia Concertante K.364, the great violin-and-viola one, there was no special creative input from the orchestra, though Wigglesworth handled it with an agreeably light touch. That was enough, for Thomas Zehetmair and Tabea Zimmermann were a winning pair of soloists, his subtle, fine-drawn line beautifully answered by her broad, mellifluous tone. Their partnership was seamless; probably it hardly matters to them what the accompanying orchestra does, as long as it doesn't get in the way.

As his own showpiece, however, Wigglesworth had chosen the Tenth Symphony of Mahler, in Deryck Cooke's reconstruction. It sounded well-studied, at least – indeed, it might have served as a kind of study-performance: all the notes were there, efficiently regimented and clear. There was nothing else to recommend it.

Rigor mortis set in almost from the start, with the conductor's extraordinarily unyielding tempi denying Mahler's long, anguished lines any room to breathe. New thematic material arrived as if on a conveyor belt, with no sense of event or fresh feeling. As an experiment in playing Mahler without expressive, idiomatic rubato, one hopes never to hear it repeated. Even the scherzo-movements were stiff, and the Adagios at the start and the close were frigid. The famous outcries were loud, but empty of dramatic force. Surely it must be a mistake for any conductor to essay this fragmented Tenth before mastering a lot of earlier Mahler? It made a weirdly dispiriting experience.

David Murray

Classical in question

Lynn MacRitchie visits exhibitions in Leeds and Halifax

A visit to the handsome public galleries of Leeds this December or January can be recommended as offering stimulating food for thought. The Henry Moore Institute ends this year and begins the the next showing the work of four European sculptors, and is also, at its sculpture studios at Dean Clough in Halifax, offering the opportunity to experience one of the more experimental works of the American artist James Turrell.

Those who wish to see *Gas Works: A Ganzfeld Sphere* – a chamber in which one viewer at a time is exposed to the effects of red and blue neon and white strobe lights – must act quickly; it closes on December 20. The sphere offers not so much an aesthetic experience as a lesson in perception – the changing colours and psychedelic patterns experienced inside are created not on its smooth white dome but on the retina of the beholder, as each individual reacts to the flashing lights. It also offers an insight into the kind of obsessive interests (Turrell plans to revisit the piece at the end of the show to continue his light experiments) which can eventually bring about completely realised works of art.

The four works in the show at the Henry Moore Institute are all very different: two have been made especially for the exhibition, two have not. "Sea of Sun," a maze of metal chains created by the English artist Andrew Sabin, was first exhibited at the end of 1992 at the Battersea Arts Centre in London. The effect of pushing through the series of rectangles he has created from hanging painted steel chains is indeed like plunging into sun dappled water, the coloured images, visible through each other, ever shifting and never quite resolved. Some of the chain screens are covered with abstract patterns, some with single faces, some with buildings or landscapes. Viewing them is rather like recalling a dream, trying to catch hold of that one half-remembered scene which will unlock the meaning of all the rest.

The Spanish sculptor Jaume Pensa likes his metal traditional, although with a post modern twist. He has used iron casts of iron-casting buckets as the unit of construction of "La Neige Rouge", 1991, a hollow rectangle made from one hundred buckets piled up and facing inward. The lips of the buckets are threaded with orange neon elements. Standing inside the rectangle in the buzzing orange glow is like standing inside heat, being made molten by colour alone.

Vittorio Messina, originally trained as an architect in Rome, made "Confini d'Occidente", 1993, especially for the exhibition. Using only ready made industrial materials – breeze blocks, neon strips, pieces of wood, carpeting, metal shelves, sanitary ware and an anatomical skeleton – he has created a shabby temple, its structure and form recalling the classical monuments of ancient Greece. Their reprise in these humdrum materials sets off a dialectic between the forms of the past which we so revere and the utilitarian functions of ordinary buildings, so often reviled. Being forced to look at these brutal staples of our everyday lives, assembled in a manner which consciously evokes the past, serves to remind us that history is made now, too, in similarly unprepossessing settings, even when, as busy participants, we fail to notice.

"Fallen Cornice", 1993, by Edward Allington, the present Gregory Fellow in creative art at the University of Leeds, also questions the classical past which still so informs our present attitude to art and architecture. Made for a room at the Institute which retains the proportions of the original merchants' offices, the eponymous cornice, recreated larger than life in copper lies on the floor. In its descent from the ceiling, it has dragged with it some of the inner workings of the building, suggested by lengths of armoured cabling trailing from the roof. Allington's work explores the continuing role of classical convention in our mass produced present, economically conveyed by such ironic displacements.

Herbert Read, the centenary of whose birth is celebrated by a marvellous exhibition at the Institute's next door neighbour, the City Art Gallery, throughout the 1930s also questioned the dominance of the classical, Mediterranean tradition in our view of art, suggesting that it should be set against the romanticism of Northern Europe to be fully understood. This early position became typical of Read's dialectical approach in his writings about art, and allowed him to defend both abstraction and Surrealism during the 1930s, when their practitioners were at daggers drawn, and in the 1950s to accept the new precepts of abstract expressionism while still remaining loyal to the naturalistically based work of Henry Moore and Barbara Hepworth.

Only in his later years did his ability to accept and understand the new begin to fade. His famous dislike of Pop Art may perhaps be traced to the socialist and anarchist views of his youth, formed during his years at Leeds University from 1912 to 1914 when he was also a member of the radical Leeds Arts Club. The Pop artists' blithe acceptance of the crude mechanics of capitalist advertising he found hard to take. "For him," his son Ben, one of the curators of the exhibition, told me, "art was always very serious."

Read's move to London in 1933 thrust him into middle of the progressive artistic community then beginning to gather in Hampstead which formed the bedrock of his aesthetic development. The exhibition's greatest success is to celebrate Read's individual vision, so much the product of the circumstances of his life. It is moving to see works by Hepworth or Nicholson or Moore presented to Read in the course of their long friendship, and touching to see his huge desk, made to his own design when he was championing modernism to an unresponsive audience when briefly professor of fine art at the University of Edinburgh (1931-33). This quiet Yorkshireman could be not only a radical but a true internationalist, helping to bring a sceptical England its first sightings of surrealism and abstract expressionism and, eventually, worldwide recognition. His final lecture, given in Cuba 1968, was on "The Problems of Internationalism in Art."

Not just a writer, lecturer and thinker, he also got things done; he was one of the founders of the Institute of Contemporary Art in London, for example, becoming its first chairman in 1947. He never shrank from the difficult questions and spent his life discussing the role of art in what he believed to be its proper place, the very heart of a society's political and social development. That he could do so with such confidence, that he was also not afraid to allow his views to develop, was perhaps because as a lifelong writer of poetry the creative process was an intimate part of his own experience, giving him the strength to remain true to his aesthetic instincts.

Gas Works, James Turrell, The Henry Moore Studio, Halifax, tel 0422 320250. *Cell: Cella: Celda*: the Henry Moore Institute, Leeds, November 11 1993 - February 5 1994, Leeds; tel 0532 467467. Herbert Read: *A British Vision of World Art*, Leeds City Art Galleries, November 2 1993- February 51994.

Susan Crowe

Vittorio Messina's 'Confini d'Occidente', 1993, using only ready made industrial materials

Pantomime

Little Red Riding Hood

The pantomime season at The Theatre Royal, Stratford East kicks off with *Little Red Riding Hood* which has picked up *The Three Little Pigs* somewhere on the way to granny's house in the forest. This is a traditional, enjoyable and, at two hours flat, a child-friendly panto: no lewdness and only a bit of cartoon violence. But it is still short of the laugh riot it could be.

The amalgam of characters includes a Wolf in the Noel Coward lupine mould, all furry fury plus smoking jacket, lisp ("Wed Widing Hood"), an occasional song and an overall excuse: "Ah, it was a kwhy for help." Then there is Nigel the Woosterish woodsman hewing down the forest in plus fours and wielding the axe like a sand iron; he is the love interest for Red, and sings a parody of Luther Vandross so good that the object of his desires notices, "You've been eating those mushrooms again… Maybe we could be pen friends". Red herself is formidable in a gingham tablecloth of a dress alongside her father who seems to have clothed himself in chessboards.

Of course there is an apple-cheeked granny, some crackling good porky piggies who manage a fine trotter jive, a couple of wandering Cockney "barrah persons" and a Liverpudlian dog which needs bolstering with a special "Bravery song" from the audience. The opposition are the Wicked Witch (who turns out to be Red's long lost abducted mother) and her sidekick Earwax who are, luckily, powerless beyond the storybook forest set.

The panto comes alive when the characters turn to the audience. They ask what is going on, or taunt them, or in the Wolf's case, are blown off stage by them. The music (Anthony Ingle) keeps the atmosphere going, especially with a louche Wolf theme in the tracks of Henry Mancini's "Panther" and a good James Brown number for the Witches. The script is spattered with gobbets of Shakespeare, Hollywood ("The company of wolves") and pop reference ("I'm too sexy for my fur" says the Wolf).

The actors seem to enjoy the evening, especially when they have something to work with and react to. The first casualty on the audience side was an infant escorted away mewling and puking for an early bath after five minutes of the first half; but happily she was the only dissenter in an evening of genial warmth and good spirits. Jeff Teare Directs.

Alastair Muir

'I'm too sexy for my fur'; the Wolf at Stratford East

Andrew St George

Theatre Royal, Stratford East (081 534 0310) until January 22

Opera in New York/**Paul Griffiths**

'I lombardi' with Pavarotti

This is an odd Met season: the three new home-grown productions are all of Verdi operas, two of which are early pieces the company has never staged before. Six weeks ago there was *Stiffelio*; now comes a work to make that opera seem a triumph of sober maturity and deep interest: the ramshackle story of fraternal rivalry, changed allegiances, betrayal and baptism, hermit and heroine, battles and blessings set among the Lombards at the First Crusade.

Time and the critics have not been kind to *I lombardi*. It was the first Verdi opera to be performed in America – in 1847, four years after its introduction at La Scala – but then inevitably was rapidly overtaken by later works, and Verdi himself seems to have hoped to hasten its burial by recasting it, also in 1847, as *Jérusalem*. Julian Budden calls it "an agglomeration of heterogeneous ideas, some remarkable, some unbelievably banal" – a judgment which the Met production cannot but sustain.

Beautifully modulated responses to Bellinian cantabile flow up against the blocky contours of trivial choruses; fine orchestral moments – some of them very fine indeed, and exquisitely played under James Levine – exist alongside raucous march tunes. There is the feeling of a sensibility at war with itself, which may be the composer's response to the bellicose subject matter, but which may also be the flailing of a young artist beginning to gain possession of his talents but not yet certain how to use them.

The result is conspicuous wastefulness. *I lombardi* is almost baroque in its scenic demands, requiring at least ten different sets and several costume changes for the chorus. Happily these are areas in which the Met excels. John Conklin, the set designer, provides a useful unity and grandness of image by keeping a row of great gold-panelled doors along each side of the stage, and his conjurings of the different locales are quick, emblematic and strong: a Romanesque arcade and rose window for the basilica of the first scene, Moorish arches for the tyrant of Antioch's palace, a painted landscape for the River Jordan, a cyclorama of mustard light for the desert. Dunya Ramicova's costumes are also simple and colourful – especially the patterned robes of the Antiochans and the copper armour of the crusaders. Nowhere, rightly, is there much effort at historical accuracy: these are broad, modern reactions to the 19th century reacting to the 11th.

I lombardi is also wasteful in its treatment of minor characters. Viclinda, cause of the dispute between the brothers, sings briefly in the first scene; by the next act her daughter is praying to her spirit, without anyone having bothered to tell us she had died. The tyrant of Antioch has his hot moment at the start of that act, goes off almost at once to fight the invaders, and returns as a corpse. Sofia, his wife, appears in just one scene, where her sole function is to serve as an admiring audience for her son, Oronte.

Since this is Luciano Pavarotti's role, she acts as the embodiment of the entire house – or certainly did so on the opening night, when Pavarotti was at his most mellifluous and persuasive in this mama's boy aria. His tone was unfailingly sweet, his comportment of the voice between registers assured, and his decoration nimbly executed without disturbance to the line. This was artistry. Sadly,he slackened his care and attention in his later scenes, though there were excuses for that. In his love duet with the Christian Giselda he had to hold to his line – and he did – against Aprile Millo's disturbing mistunings (and she was as zealous in holding to her quarter-tones). In his reappearance from the dead, the absurdity, together with his backward placement on the stage, may have been responsible for encouraging a more uniform, and uniformly loud, treatment.

Samuel Ramey, as Pagano, was more consistent in his singing, and in his vivid presence: he alone on stage conveyed the impression he thought he was in something that mattered. And he did so despite the fact that the piece required him to present not one character but two, with no opportunity for developing one out of the other.

In the first act Pagano is naked villain: Ramey aptly and ably used that bark, particularly on long "a" sounds, that he can produce without damage to his melody. In the following three acts, where the move to the Holy Land finds the wicked brother become a sombre eremite, he softened in tone, but not in power. Even when prayerful and subdued, he was in command. The honours belonged to him, to Pavarotti in his first aria, and to Levine and the orchestra, whose leader, Raymond Gniewek, played decorously in the violin concerto which underlies the whole last scene of the third act.

Bruno Beccaria was stark as the good brother Arvino. Anthony Laciura made startling use of his high tenor as the Milanese grandee who comes rushing into the opening scene with news of the coming crusade: Mark Lamos's productionotherwise neutral, except in some regrettable choreographing of the chorusmade him look like a Russian holy fool, which was effective. The production remains in repertory until January 20, though Ramey leaves it after Christmas.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw Tonight's Netherlands Philharmonic concert is conducted by Vassili Sinaiski, with cello soloist Julian Lloyd Webber. Martha Argerich plays Beethoven's Second Piano Concerto tomorrow and Thurs with the Royal Concertgebouw Orchestra conducted by Claus Peter Flor, who also directs a second programme on Fri evening and Sun afternoon, featuring Jaap van Zweden in Mendelssohn's Violin Concerto. Wolfgang Holzmair gives a song recital next Mon (ticket reservations 020-671 8345)
Muziektheater Dutch National Ballet's Christmas production is the Ashton staging of Prokofiev's Cinderella, opening tonight for a run of 13 performances till Dec 29. Netherlands Opera has Alfred Kirchner's new production of La traviata on Dec 16, 19, 22, 25, 27 and 30 (020-625 5455)

ANTWERP

de Vlaamse Opera Robert Carsen's new production of La boheme, conducted by Silvio Varviso, opens tonight with a cast led by Mary Mills, Fabio Armiliato and Jean Glennon. Repeated Dec 17, 19, 21, 23 and 28 in Antwerp, and Jan 6, 8, 11, 14 and 16 in Ghent (03-233 6685)
deSingel Philippe Herreweghe conducts Collegium Vocale tonight in works by Gesualdo, Webern, Mozart and Stravinsky. Rosas, the Brussels-based dance troupe directed by Anne Teresa De Keersmaeker, gives performances next Tues and Wed (03-248 3800)

BRUSSELS

CONCERTS
Artis Quartet plays string quartets by Mendelssohn, Webern and Zemlinsky tonight at the Conservatoire. The programme at Palais des Beaux Arts includes a piano recital by Radu Lupu on Thurs and a Belgian Radio Orchestra concert on Sun afternoon featuring Rodrigo's Concierto d'Aranjuez (Alfonso Moreno), conducted by Alexander Rahbari. Ricercar Consort presents a programme of music by Schütz, Marc-Antoine Charpentier and other 17th century composers at Eglise des Minimes on Thurs (02-507 8200)

DANCE/OPERA
Anne Teresa De Keersmaeker's dance troupe Rosas presents her latest chorography, entitled Mikrokosmos, at Lunatheater tonight, tomorrow and Thurs. Stravinsky's The Soldier's Tale runs daily till Sat at Théâtre Varia, in a production conducted by Dirk Boly and staged by Philippe Sireuil. The Monnaie has final performances tonight and tomorrow of Schumann's Manfred, and revives Guy Joosten's staging of Carmen next Wed for four performances, with Kathryn Harries in the title role (02-218 1211)

CHICAGO

CHICAGO SYMPHONY
Pierre Boulez conducts tonight's programme of Bartok and Ravel, with piano soloist Krystian Zimerman. Thurs, Fri, Sun afternoon: Zubin Mehta conducts Webern and Schubert. The orchestra then takes a Christmas break till Jan 6, when Daniel Barenboim returns for two weeks of concerts (312-435 6666)

CHICAGO LYRIC OPERA
Zubin Mehta conducts Die Walküre tonight, Sat and next Wed, with a cast including Eva Marton, James Morris, Siegfried Jerusalem and Tina Kiberg. Il trovatore, conducted by Antonio Pappano, can be seen tomorrow, Sun and next Tues, with Chris Merritt, Lyuba Kazarnovskaya, Dolora Zajick and Paolo Gavanelli (312-332 2244)

GENEVA

- Benno Besson's production of Die Zauberflöte is revived tonight at Grand Théâtre,and runs daily except Dec 19, 24 and 25 till Dec 28. Armin Jordan conducts alternating casts including René Pape, Kurt Streit, Amanda Halgrimson, Simon Keenlyside and Donna Brown (022-311 2311)
- Goldoni's play The Timid Lovers, directed by Patrick Lapp and designed by Ezio Frigerio, can be seen at Théâtre de Carouge on Dec 18, 19, 28, 29, 30, 31 and Jan 11-31 (022-343 4343)

THE HAGUE

Dr Anton Philipszaal Tomorrow: Schoenberg Quartet plays works by Stravinsky, Carter, Henze and Schoenberg. Sat evening, Sun afternoon: Günther Herbig conducts Hague Philharmonic Orchestra Prokofiev, Elgar and Tchaikovsky (070-360 9810)

UTRECHT

Vredenburg Tomorrow: Hartmut Haenchen conducts Netherlands Chamber Orchestra in works by Wagner, Reinecke and Strauss. Thurs: Alexander Dimitriev conducts St Petersburg Symphony Orchestra, with piano soloist Hélène Grimaud. Fri, Sat, Sun: festival of music by Dutch composers (030-314544)

VIENNA

MUSIC
Staatsoper Tonight: Capriccio with Felicity Lott. Thurs, Sun: La traviata with Nancy Gustafson. Fri: Tosca with Gwyneth Jones. Sat: Nutcracker. Next Mon: first night of new production of Les Contes d'Hoffmann with Domingo, repeated Dec 23, 27, Jan 2, 7, 10 (51444 2955)
Musikverein Tonight: Ferruccio Furlanetto, accompanied by Alexis Weissenberg, in songs by Musorgsky and Rakhmaninov. Tomorrow, Thurs, Fri: Vladimir Fedosseyev conducts Vienna Symphony Orchestra in Beethoven, Berg and Bruckner, with soprano Patricia Wise. Sun and Mon: Alexander Jenner conducts Tonkünstler Orchestra in Gershwin, MacDowell and Dvorak (505 8190)
Konzerthaus Fri: Malcolm Bilson piano recital. Sun: Roger Norrington conducts Austrian Radio Symphony Orchestra and Chorus in Berlioz's L'Enfance du Christ, with Robert Tear, Sarah Walker and Thomas Allen. Next Mon, Tues, Wed: Rudolf Buchbinder gives a Beethoven Piano Concerto cycle with Vienna Symphony Orchestra conducted by Rafael Frühbeck de Burgos (712 1211)

THEATRE
Ruth Berghaus's new production of Brecht's The Caucasian Chalk Circle opens at Burgtheater on Sat (51444 2218). Repertory at Akademietheater includes David Mamet's Oleanna and Chekhov's Uncle Vanya (51444 2959). Raimund Theater has the German-language premiere of Kiss of the Spider Woman (Wien-Ticket 58885)

WASHINGTON

DANCE/MUSIC
- The Nutcracker: Washington Ballet's production, staged by Mary Day, runs till Dec 26 at Warner Theater (202-432-SEAT). Joffrey Ballet's production, staged by Robert Joffrey and Gerald Arpino, runs till Dec 19 at Kennedy Center Opera House (202-467 4600)
- Handel's Messiah: Baltimore Symphony Chorus at Joseph Meyerhoff Symphony Hall tomorrow and Sat (410-783 8000). Washington Oratorio Society at Kennedy Center Concert Hall on Fri, Sat, Sun morning and next Mon (202-467 4600). Folger Consort and Choir of Magdalen College Oxford on Dec 20, 21 and 22 at National Building Museum (202-544 7077)

THEATRE
- A Community Carol: a retelling of Dickens's Christmas classic, transposed to today's Washington DC. The production by Arena Stage and Cornerstone Theater Company mixes professional actors and community members. Till Jan 2 at Arena Fichandler Stage (202-488 4377)
- Holiday Memories: Truman Capote's tales of his childhood, adapted for the stage by Russell Vandenbroucke. Till Dec 26 at Olney Theater (301-924 3400)
- Cats: Trevor Nunn's production of the Lloyd Webber musical. Till Jan 8 at National Theater (202-628 6161)
- The Will Rogers Follies: the Tony Award-winning musical opens next Tues at Kennedy Center Opera House for a six-week run (202-467 4600)

ZURICH

Tonhalle Tonight, tomorrow, Thurs, Fri: Marek Janowski conducts Tonhalle Orchestra in works by Haydn and Richard Strauss, with soprano Pamela Coburn. Sat: Eduard Muri conducts South-West German Philharmonic in Liszt, Tchaikovsky and Dvorak, with piano soloist Bruno Leonardo Gelber (01-261 1600)
Opernhaus Tomorrow, Sun: Der Rosenkavalier. Thurs: Bernd Bienert's production of Glazunov's ballet Raymonda. Fri: Cosi fan tutte. Sat: Salome (01-262 0909)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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THURSDAY
Super Channel: West of Moscow 1230; FT Reports 2130
Euronews 0745, 1315, 1545, 1845
FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030
SATURDAY
Sky News: 0330; 1330
SUNDAY
Super Channel: FT Reports 2230
Sky News: FT Reports 1730; 0430

Challenge of peacekeeping

Douglas Hurd and Andrei Kozyrev on a possible framework for co-operation

The international community is starting to look beyond the conflict in the former Yugoslavia, and is becoming increasingly aware of the true magnitude and seriousness of ethnic and political conflicts in the former Soviet Union. The problem is indeed a pressing one.

The disputes in the Transcaucasus, central Asia, and elsewhere in the former Soviet Union are causing great suffering for those involved. They are a source of legitimate concern to the Russians, who are worried by clashes close to their borders. They are concerned too about the safety of ethnic Russians living in those countries where there are conflicts, and about the economic and social consequences of refugees fleeing to Russia (whose potential number is estimated at more than 2m).

They believe that the problems in some of the former Soviet republics are either ignored or misunderstood. The Russians fear that if they do nothing, the conflicts will worsen and probably spread. They argue that they have a legitimate concern in trying to resolve conflicts that threaten their security. They ask why, when the international community is engaged in peacemaking and peacekeeping in many of the world's trouble spots, similar efforts should not be undertaken in the hot spots near them.

Equally, these disputes are of legitimate concern to Britain, its western partners and the whole international community, both for humanitarian reasons and because such flashpoints risk provoking regional instability. If uncontrolled, they pose a variety of threats to European security, including increased traffic in drugs and arms as well as international terrorism. Crises in Russia's newly independent neighbours may also complicate Russia's relations with the west: unless they are carefully handled, they risk prejudicing the emerging relationship between us.

The west is sometimes suspicious of Moscow's attitude. There are no differences about the need to resolve these conflicts: but there are differences over how to go about it. The British government will not underwrite Russian involvement unless it is sure that peacekeeping troops will not turn into occupying forces. Nor are countries that secured their independence when the Soviet Union was dissolved keen that the west should concede to Moscow the same role it played in the Soviet empire. They fear that this would compromise their sovereignty. When they are willing for Russian troops to play a peacekeeping role, they want there to be some form of international monitoring. This has meant that, even though the west lacks the resources to engage directly in those trouble spots, it has been wary of appearing to endorse Russian involvement instead, in case it had imperial tendencies.

Douglas Hurd (right) and Andrei Kozyrev: problem of conflicts within the former Soviet Union is a pressing one

We must try to find ways of managing and resolving tensions before they erupt into conflict

If we are to fashion a joint approach by Russia and its western partners to the problem of peacekeeping in the former Soviet Union, we must address all these concerns. Clearly Russia has an important role to play in this area. If the Russians want international recognition and more active support from the international community, the west in turn needs guarantees that Russia will not regard recognition of its involvement as giving it *carte blanche* in the former Soviet Union. Peacekeeping in the former Soviet Union, as indeed peacekeeping elsewhere, must comply with internationally recognised principles. It needs to be looked at on a case by case basis. Respect for the sovereignty of the newly independent countries must remain paramount.

We agreed that the principles underlying Russian, CIS or international peacekeeping operations would need to include: strict respect for the sovereignty of the countries involved; an invitation from the government concerned and the consent of the parties to the conflict; commitment to a parallel political peace process; a clear mandate setting out the role of the peacekeeping forces (which should whenever possible be multinational in character); and an exit strategy for the peacekeeping forces deployed.

These principles should help stimulate a dialogue and political settlement between the parties to the conflict, focus attention and, where possible, resources on the settlement of conflicts in the former Soviet Union.

All this will help enhance Russian peacekeeping practices. Although the Conference for Security and Co-operation in Europe and the UN lack the resources to put large numbers of peacekeepers on the ground themselves, they may be able to suggest measures to enhance transparency and to monitor the peace process. Extending co-operation within the North Atlantic Co-operation Council, and also co-operation between Russia and Nato, might help improve training for Russian peacekeepers. This is an area we shall need to explore further.

We also need to put much more emphasis on preventive diplomacy. One of the ways in which we can help prevent conflicts is to strengthen the democratic institutions in the newly independent countries of the former Soviet Union. The CSCE and other international institutions can play an important role here, drawing the newly independent countries into a more active dialogue on ways of promoting democratic values and principles. We discussed ways of strengthening the CSCE's role, including the role of the High Commissioner for National Minorities, at the recent Rome ministerial meeting.

We must try to find ways of managing and resolving tensions before they erupt into conflict. It will not be easy, but we must try. Potentially explosive cocktails of ethnic and political animosities could spread the fire of intolerance all too easily to other countries and regions.

We need to deal with it together in the spirit of partnership. And we need to deal with it urgently. Our security is indivisible and we must ensure it by vigorous and imaginative efforts aimed at promoting peace for all as well as rights for all.

The authors are UK foreign secretary and Russian foreign minister

Joe Rogaly

Wheel of fortune wobbles

Opinion polls showing the government at a nadir of popularity and the official opposition at a peak tell us nothing. If the published numbers have any meaning, it is surely that the Labour party has only one way to go: down. That being the case, the Conservatives can expect to recover some of the support they have lost since April 1992. This supposition works if you believe in the Great Wheel of Fate theory of alternating poll leads for the two tired old parties.

I suspect that Mr John Smith puts his faith in another Big Wheel, the one that determines which party shall govern. The Labour leader acts as if this mechanism exists to give every Buggins his turn, if only he waits. Watch him. You would think that all he has to do is sit tight with his deputy, Mrs Margaret Beckett, in their little swing chair. When the time comes, they have merely to close their eyes, lean back and enjoy the inevitable whoosh to the heights of power. From the top of the Wheel they may peer down on Mr John Major, by then an ex-prime minister, walking disconsolately into retirement.

Mr Smith would do well to note the wealth warning imposed on the financial services industry. Past performance is no guide to future outcomes. Labour has come back from nowhere before, but cannot be sure that it will do so again. Much depends upon what Mr Smith himself does. Merely positioning his party against the day when the Tories fall may not be sufficient.

You could forgive the Labour leader for taking a more sanguine view. Since the collapse of communism, electorates in many countries have turned against sitting governments. In the past few months voters have badly frightened the prime minister of New Zealand and nearly exterminated Canada's Progressive Conservatives. Italians have rejected their traditional political parties. Russian voters showed at the weekend that they can be as cussed as the rest of us. It is also true that if ever a government deserved to be thrown out, it is the one we have. Britain's Conservative administration looks less like a discredited rabble today than it did before the Budget, but not much less.

No party leader, least of all Mr Smith, would be foolish enough to assume that the Tories will remain in so sorry a state right through until a general election in, say, 1996. The correct supposition for any grown-up strategist must be that economic recovery plus a closing of the Conservative ranks will win back much of the support lost by the government since April 1992. Labour cannot afford to bask in its present deceptive popularity. It has to address itself to what will doubtless be a far less propitious political marketplace of the future. So far, Mr Smith has done little to instill confidence that he knows how to do this.

The Labour leader should remember that a row is probably the best way of attracting public attention to changed thinking

Yet the contrary argument – that the party must simply keep itself united, stay out of trouble, and pace itself properly – has some merit. Reasonably, the Labour leader has devoted much of his first 16½ months in his new job to internal housekeeping. So far the net result of this has been a disappointingly small reduction in the influence of trade unions, bought at a high price in political pledges. At the same time, Mr Smith has embraced wholesale constitutional reform, while kicking the electoral system into touch by offering a referendum. He has at least managed to prevent a party split over proportional representation. As to Europe, Labour played with parliamentary fire during the Maastricht ratification debates, and might have scuppered the bill. Yet today the opposition looks nearer to the heart of continental affairs than do the Tories. When he approaches the European Union, Mr Major walks on thin glass.

At the same time, Mr Smith has paid due attention to day-to-day tactics. Labour is properly devoting much energy to reminding us that the Tories' low-tax election campaign of last year was a swindle. This week Mr Smith has withdrawn co-operation over the conduct of parliamentary business. This is a justifiable response to the government's rash attempt to rush the privatisation of sick pay and the increase in national insurance through the Commons. Perhaps Mr Major thinks everyone is too busy Christmas shopping to notice. Stories of MPs kept late on these matters might help spread the message that paying more national insurance is the same as paying more income tax, only less fair.

The test for the Labour leader comes next year, the 50th anniversary of the 1944 white paper on full employment. Mr Smith has already committed his party to that half-century-old aspiration, without producing a convincing plan on how to meet it. He is more at ease with the Keynesian Delors plan to manufacture employment within the EU than was the government last week. An OECD report on the subject, due next June, is as likely as not to be critical of flexible employment policies that end in wholesale casualisation, the creation of mere MacJobs. There is a painful nerve of middle-class insecurity here, waiting for a canny political touch.

Late next summer we will also see the publication of the findings of the Commission on Social Justice, set up by Mr Smith when he became leader. Under Sir Gordon Borrie, the commission aims to redefine the welfare state according to contemporary conditions of life, just over half a century since Beveridge's first attempt. This is a higher-sounding aim than that of the government, whose long-term review of social security is intended to cut costs. Yet a Labour left conference has attacked the commission's findings in advance of their preparation. This was done in the presence of Messrs Bill Morris and John Edmonds, a pair of disappointed trade union bigwigs who have found Mr Smith less malleable than they would like. One of the commission's working papers, published yesterday, sets out options for changing child benefit. The left won't like that.

The Labour leader should remember that a row – call it a vigorous debate – on these matters is probably the best way of attracting public attention to changed thinking. If/when the Smith Labour party has something new and attractive to say, it had better forget about Scottish caution, shut its eyes to the temporary blips in the polls, and say it. That way, it might carry conviction, and possibly even win an election.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

A comic insight on bio-piracy

From Dr P A Leonard.

Sir, I would like to share an anecdote on the issues around the protection of pharmaceutical inventions through the Gatt (' "Bio-piracy" under new fire', November 30).

When a child, my two brothers and I were given one penny for each year of our ages to spend on sweets each week. My elder brother also bought a comic with this money, which cost him three of his 10 pence. My younger brother and I were happy with this arrangement, since we spent all our money on sweets and read his comic once he had. This did not seem fair, and my elder brother soon stopped buying a comic – much to our disappointment. Finally, we agreed we would each donate a penny for the shared comic and the problem was solved.

The pharmaceutical industries of Canada, Egypt, India and 13 Latin American countries you identified as opposing the obligatory protection of pharmaceutical patents in the Gatt, want us to buy the comic for them to read. The "comic" is, of course, the investment in research and development which innovative pharmaceutical companies must make to improve health care. If these companies stop buying the comic, they go out of business. The patent system will not stop anybody reading the comic, it will merely make them wait a while, until the innovative pharmaceutical industry has prepared the next issue.

P A Leonard,
executive, science and technology,
Chemical Industries Association,
Kings Buildings,
Smith Square, London SW1P

British manufacturing far short of world class

From Dr Michael Cross.

Sir, Over the past two to three years, I and a number of colleagues in the US and Japan have compiled an analysis of "world-class" manufacturing operations.

We used the Malcolm Baldrige National Quality Award criteria as a means of defining world class, and any operations scoring more than 900 we called world class. In all, we considered just over 12,000 operations and managed to identify 1,039 operations scoring more than 900 on the Baldrige Scale. The results show that Japan has 675 world-class manufacturing operations, North America has 221, west Germany 71, Britain 40 and France 32.

When the number of operations are split by location, the result is revealing about local circumstances. Of the Japanese-owned operations, 510 are in Japan; for North American-owned operations, 113 are in North America. For both the German and French operations the bulk are in their home countries, with 67 and 29 respectively. Yet for the British operations, 34 are located outside the UK.

I think we have a long way to go if the UK manufacturing base is to become world class.

Michael Cross,
20 Amherst Road,
Ealing, London W13 8ND

A tribune of the people in HM Treasury for a day

From Mr Andrew Currie.

Sir, It is a little depressing, even if inevitable, that all those whom you have appointed Minister for a Day have sought to increase the budget and the power of their ministries.

Perhaps you should balance each future appointment by offering a column to the day's chief secretary to the treasury.

He could set out the case that people should be free to lead their own lives without the interference and tax demands of the ministry.

Andrew Currie,
3 Beardsley Way,
London W3 7YQ

Mediocre results of analysis

From Mr Martin Roberts.

Sir, "Why the FT knows its school tables" read the headline of John Authers' article on school examination league tables on November 30. This being the FT, the headline suggests one should expect a sophisticated analysis.

Some sophistication!

As far as this school was concerned, the article was ignorant about our catchment area and assumed, amazingly, that the cohort from which our A-level candidates was drawn was the same as for GCSE. A telephone call to the LEA or to me would have indicated that this school serves a far wider catchment than "the plum academic area in north Oxford" and that its 1993 A-level candidates included 25 per cent who joined us at 16+ from other schools. To compare our A-level results favourably with our GCSE ones and conclude that our GCSE results are "distinctly mediocre" displays distinctly mediocre powers of analysis.

Martin Roberts,
headteacher,
The Cherwell School,
Marston Ferry Road,
Oxford OX2 7EE

Merger to raise Kent's industrial development

From Mr Paul Sabin.

Sir, I noted with interest the article entitled "Tecs set for bigger industrial policy role" (December 6) by David Goodhart. He is right to observe that the greater role in deciding regional industrial policy given Tecs is a significant move. In Kent we believe that this is an exciting opportunity to enhance and improve training and economic development services in a county undergoing considerable change.

But I am concerned by your statement that in Kent the Tec will "take over the economic development activities of the Kent County Council". This is not the case. This is a merger between two organisations concerned with economic development. As a result a new organisation will be created, building on the strengths of the existing bodies. It is important that the business community perceives something new and value added, rather than a bolt-on to those that currently exist.

Like you, we believe that it may be a template to help shape the formation of organisations elsewhere in the UK.

Paul Sabin,
chief executive,
Kent County Council,
County Hall,
Maidstone,
Kent ME14 1XQ

Right diagnosis, wrong remedy for Maastricht fatigue

From Mr Gary Miller.

Sir, Edward Mortimer is right in his diagnosis of post-Maastricht fatigue in Europe but wrong to look to the European Constitutional Group's "constitution" for a cure (December 8), particularly in advance of the next enlargement of the Union planned for 1995.

Behind this initiative is nothing less than a mischievous attempt to unravel decades of slow and painful constitutional development that has successfully provided for peace and an expansion of trade in the relations between an ever-increasing number of member countries.

This achievement has been based on the very principles that the ECG seek to undermine: the supremacy of Community (now Union) law refereed by an independent court; the ability of the Commission to make legislative proposals independently of particular national interests; the possibility of majority votes in the council of ministers, so that one recalcitrant country cannot veto the progress of others; and the ability of a directly-elected European parliament to offer the democratic scrutiny of what goes on in Brussels that one national parliament cannot hope to provide alone.

There can be no doubt that, without these principles, however imperfectly they have been applied, we would not have had the single market or the prospect of monetary union.

A constitution could bring the present Union closer to its citizens and make its institutional machinery more open and comprehensible. But it will not do so by ignoring these tried and tested principles.

For example, the ECG's proposal to add another parliamentary chamber composed of national representatives to the Brussels ensemble will just confuse the public even further and render an already cumbersome decision-making process unworkable.

For a remedy to the malady he identifies, Mr Mortimer would do better to look to the draft constitution for the Union which has been drawn up in the past few weeks by the European parliament.

This will probably be presented to national parliaments in current and potential member countries for consideration before the 1996 review of the Maastricht Treaty.

Gary Miller,
Waversbaan 121,
B-3050 Oud-Heverlee

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
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No turning back in Russia

Russia's election result has been greeted with dismay, even before it is fully known, by Russian would-be reformers and their *friends in the west*. This is because of the strong showing by Mr *Vladimir Zhirinovsky's* ludicrously misnamed Liberal Democratic party, and by the communists, and the disappointing performance of the pro-reform parties associated with President Boris Yeltsin.

Yet there may be greater cause for concern about the way Mr Yeltsin and his allies will react to the result than about the result itself. Mr Yeltsin has achieved his stated objective of winning popular approval for a new constitution which gives him extensive powers and severely restricts the power of parliament to prevent him using them. He now has the constitutional strength, and his incumbent prime minister, Mr Viktor Chernamyrdin, has already shown some of the political skills, required to manage a weak and fractious parliament. Their western friends must encourage them to persevere with reform, because only accelerated reform offers any hope of delivering the economic benefits which may persuade Russians to resist the siren songs of communist nostalgia and nationalist escapism.

Russia's most crying needs now *are for legislation which will allow* it to attract foreign capital, for an *effective privatisation of land* enabling it to return to self-sufficiency in grain, and *for basic* institutional reforms allowing the government to control the money supply and ensure that real interest rates are positive. Mr Yeltsin now has the chance – almost certainly his last – to fulfil those needs. If he again hesitates in the face of opposition, as he has too often in the past, he will be lost.

He would be especially unwise to seek to co-opt Mr Zhirinovsky, or to woo away his supporters, by embracing some of their truculent chauvinism towards the west and towards Russia's *neighbours*. To a limited extent he already tried that during the election campaign – but fascism thrives on appeasement, as history all too abundantly shows.

By the same token, the west must be prepared to resist any argument that Russian appetites or neuroses should be indulged for fear of strengthening Mr Zhirinovsky's support. It should continue to support Russia's political and economic transformation – indeed should do so more effectively than hitherto, notably by opening its markets more readily to Russian products. But this can only be translated into support for Mr Yeltsin personally to the extent that he continues to act as the agent of that transformation, and if in foreign policy he shows full respect for international law and the integrity of Russia's neighbours.

It should be made clear, in particular, that Russia has no veto over other countries' membership of western organisations. Nato membership cannot be extended lightly, and would in any case not solve the most immediate security problems of central and east European countries. But it is those problems – *rather* than the *sensitivities* of Russia's domestic politics, *which remain hard for outsiders* to predict let alone influence – *that should be the determining* consideration. The west can not *afford to neglect the vital task of* filling the security vacuum in central *and* eastern Europe by integrating it into the west European economy, and preparing the countries concerned for EU membership at the earliest possible date.

It would be wrong to despair of a successful outcome to Russia's transition. The election result merely underlines dangers and difficulties of which serious observers were well aware. In response, the west must continue to strike a delicate balance between strengthening Russia's understandably nervous neighbours and working for the greater prize: a stable and prosperous Russia anchored by *ties of permanent friendship to the* west.

Private post

It is easy to sympathise with Mr Mike Heron, chairman of the UK's Post Office. His comments yesterday about a growing sense of crisis in the organisation and the need to avoid a spiral of decline may be exaggerated. But the frustration caused by the government's inability to make up its mind about the Post Office's future and by continual raiding of its coffers is real enough.

Ideally, the Post Office would be privatised. This would free the group to act *in a commercial* manner. Gone would be the days when investment plans were *curbed as* a result of being included within the public sector borrowing requirement. The Post Office would also, no doubt, find scope *for* efficiency among its 180,000 staff.

Unfortunately, privatisation does not seem to be on the agenda. Although ministers have been reviewing the options for 18 months, few believe they will back a sell-off. This is largely for political reasons. The government, mindful of its slim parliamentary majority, is anxious to avoid the sort of controversy that surrounded rail privatisation.

But ministers should not settle for inaction. Instead, they should embrace a twin-track approach: granting the Post Office greater commercial freedom, while setting up a transparent regulatory structure.

First, the Post Office should be free to exploit its existing assets more intensively. It should, for example, be able to use its post offices to distribute a wider range of services. The more the network is used, the less the danger of politically damaging closures. Moreover, though it is unlikely the Post Office can be free of PSBR constraints until it is privatised, there is no reason why it *should not come up with* imaginative proposals for attracting private *finance for new investment*. Such a market test for risky new *ventures like electronic mail*, where the Post Office's capacity to compete has yet to be proved, would in any case be better than splashing out *taxpayers'* cash.

Second, setting up a regulator now should help calm some of the anxieties backbenchers have over privatisation. It would, for example, be possible to work out how to maintain a nationwide delivery service while opening the postal business to greater competition.

Such a twin-track approach would not only be desirable in itself. It would also prepare the Post Office for the time when privatisation becomes politically feasible. Ministers cannot afford to go on dithering.

People's law

European leaders have been emphasising the principle of subsidiarity to counter post-Maastricht complaints that Europe's decision-makers had lost contact with the people. Decentralising, where possible, the exercise of power throughout the European *Union represents* a plausible way of quelling voters' suspicions about *the influence of* unaccountable bureaucracies. However, to adapt a phrase *from* its deliberations on unemployment, the EU must recognise that there are *no* miracle cures to the problem of putting subsidiarity into practice.

The weekend announcement that the European Commission will repeal 16 pieces of legislation deemed to contradict subsidiarity is *an encouraging* step. Much more needs to be done, however, both *to define* the areas where the doctrine can sensibly be applied, and to make *more transparent* the way it is implemented.

The Euro-laws to be *recast into* more manageable "framework" directives include 1980 legislation on drinking and bathing water quality. Britain and France argued that these gave national authorities insufficient leeway to set their *own* methods of achieving overriding quality and health standards. *It is ironic that two* countries with highly centralised governments should have successfully defended a principle normally seen as promoting devolution. However, detailed regulations on water quality – an area which does not materially affect cross-border competition, and where centralised rules offer no economies of scale – can be left to democratic forces in member countries.

Rather as attic-clogging lumber must regularly be discarded, continuous checks are needed to ascertain whether Brussels' existing stocks of legislation are in line with subsidiarity. Equally important, new laws must conform to the principle. The Commission needs to *exercise a benign* centralising influence in verifying that member states *enforce directives* on the single market. As the Union matures, the *Commission's* role will move anyway towards executing and monitoring measures, rather than initiating them.

One problem is the opacity of the system under which governments ask the Commission to check whether legislation passes the subsidiarity test. If the EU set up a consultative body of independent experts to produce annual *reports on how subsidiarity* is being applied, that would be a valuable way to *show voters* that the principle adds up to more than just one *inelegant* word.

Bitter harvest of disunity

Divided reformers in Russia have failed to stem the rise of extreme right and left parties, says **John Lloyd**

The scale of the defeat for reform in Russia is potentially massive – but only potentially. Enough political scope remains for reform to continue, or at least for the achievements of the past two years to be preserved. It depends on the main actors: most of all, on the lead player, President Boris *Yeltsin*.

The incomplete results of Russia's *first democratic elections on* Sunday show the Liberal Democratic party *of Mr Vladimir Zhirinovsky* in either first or close second place in the half of the State Duma, or lower house, chosen by party lists. The Communists are either second or third. A senior aide to Mr Yeltsin forecast early yesterday that the anti-reformists would command double the vote of the reformists, and while the percentages might change, the basic fact would not.

Mr Yegor Gaidar, leader of Russia's Choice and first deputy prime minister, has *already conceded* defeat of a kind – chiding himself *and the other reformist parties for* disunity, and commenting that: "*Frankly, there was something* so comic about this figure (of Zhirinovsky), he seemed *simply a kind of* parody of Adolf Hitler. We didn't fully *grasp how serious was his* threat."

The threat *from the neo-fascists* and the Communists is in one sense aggravated because they – especially Mr Zhirinovsky – have no clear *programme. Mr Grigory Yav*linsky, leader of the Yabloko group, which is likely to be the *fourth*-largest party in the parliament, and *who thus can claim to be the second* reformist party, said that "their programmes are *neither* for the *market* nor against the market. They are the most *dangerous* kind of demagogues."

Mr Zhirinovsky, displaying once more the demonic energy which *appears to power him* beyond the laws of thermodynamics, peppered *the media yesterday* with interviews demanding for his party the chairmanship of the lower house, declaring his party's readiness to enter government, and forecasting Russian expansion as far as the Indian Ocean.

He must be very pleased. For the past two years he has run an organisation whose only well-known member is himself, and which has never entered into coalitions with other nationalists. His steady belief in his own talents, energy and mission to gain political power, coupled with a machine-gun wit and breathtaking territorial claims, does indeed call up a vision of Adolf Hitler returning for the second time as farce – but a farce which still has the capacity to transform itself back into tragedy.

Mr Yeltsin, it would seem, has *two alternatives in face of this* surge from the extreme right and left. First, he can broadly continue his programme – as Mr Boris Fyodorov, the finance minister, yesterday urged him to do by showing "political will" in face of the nationalist surge. This would mean retaining reformers like Mr Fyodorov, Mr Gaidar and Mr Anatoly Chubais, the deputy prime minister, for privatisation; continuing to support *their economic plans; and attempting* to steer legislation through parliament *by putting together coalitions* issue by issue.

This is possible, *in theory*. The passing of the draft constitution has *made Mr Yeltsin one of the most* powerful elective presidents in the world, *with the ability to issue* decrees without any let or hindrance *by parliament*. Apart from his powers, he has shown in the past *two* years *no inhibition about* using patronage to buy over those *whom he cannot persuade*.

Further, the composition of the *parliament is largely non-party*: members of the 178-strong Federa*tion Council*, or upper house, are elected from the regions and repub*lics on the basis more of their local* status than their ideology. The *same, to a slightly lesser extent*, applies to the half of the lower *house elected on a first-past-the*-post system. The impression gained *by many foreign observers* was, first, that most people were confused by the complex voting papers and, second, they voted on name recognition, not party affiliation.

The result is likely to reproduce what was evident in the previous Supreme Soviet – a *bolota*, or marsh, in which the deputies roll this way and that. The threat is that the marsh hardens in opposition to a president and a government which ignore their wishes.

However, Mr Yeltsin's instincts and history may lead him in a second direction, that of the presidential figure who wishes to remain above the conflict by constructing a government which draws its membership from a wider constituency of views than the present one – with ministers either coming directly from the neo-fascist and Communist parties, or reflecting their position.

The first signs are that he will go this way. Mr Vyacheslav Kostikov, the Mephistophelean figure who is his press secretary, wasted little time in telling the Interfax news agency that there was much in the fascists' and communists' electoral programmes which "quite corresponds to the social aspect of the president's policies – that is, the social policy of the state, patriotism, making Russia great".

Reuter

Election blow: Russian officials shread unused ballot papers with an axe

The latter two appeal to Mr Zhirinovsky, and to Mr Gennady Zyuganov, the Communist leader who has repeatedly said he is a Russian nationalist before he is a communist internationalist. However, Mr Kostikov's bland statement masks the obvious question – how far does Mr Yeltsin's embrace of patriotism have to go before it finds common ground with a neo-fascist party whose leader has claimed Poland and Finland for a renewed Russian empire? Even Mr Zyuganov was quoted yesterday as saying that he did not go down the same road as Mr Zhirinovsky: "We are realists."

However, a lurch towards a harder-edged nationalism seems inevitable, resulting in harsher treatment of the former Soviet republics to bring them into line. This would confront impoverished Ukraine, in deep debt to Russia and possessing missiles, a naval fleet and a territory (Crimea) which Russia wants, with the terrible dilemma of knuckling under or attempting to withstand a colder blast from the east than it has been used to since *Mikhail Gorbachev came to power* eight years ago. It would also *threaten the fragile relations* with Latvia and Estonia, where Russian troops remain; and make clear to the Central Asian and Caucasian states that their leash is still held by Moscow, and that it is shortening.

Were Mr Yeltsin to sway in this direction, it is all but certain that the reformers would *feel constrained* to leave the cabinet, or would be asked to do so. *They have had only mixed success* this past year; and though Mr Fyodorov has made much of keeping the last quarter's budget within tight limits, he appears to have done so only by cutting or deferring expenditure which will have to be put through in this coming year. *Only if they have* an even more solid base for support than they have enjoyed so far could they hope to deepen reforms: and they *evidently do not have that. Their tone* yesterday was mournful: Mr Chubais has been *especially* emphatic that "I will not shake fascists by the *hand*."

The next stage of economic reform was always going to be the hardest. Whether it was to be *driven* by Mr Gaidar's insistence on tight money, or Mr Yavlinsky's *preference for demonopolisation* and faster privatisation, vast unemployment *is likely to burst into the* open as practically bankrupt enterprises go belly-up and *cast* their workers out to fend for themselves. Giant plants – like Uralmash engineering in Ekaterinburg, the Vaz car plant in Nizhny Novgorod and the Zil truck and car plant in Moscow – are now working short time and juggling with huge debts.

The International *Monetary* Fund and the World Bank, poised to support and to lend to a reformist government, are now high and dry. A planned timetable of meetings designed to drum up a new surge of aid for Russia, including a summit between Presidents Yeltsin and Clinton in Moscow next month, is now in doubt.

There has been a real advance in these elections: Russia has succeeded in adopting a constitution which proclaims it an advanced democratic state committed to private property and the rule of law. But the reality of these grand phrases is still in suspension.

How to contain ITV's menacing octopus

PERSONAL VIEW

The government's push to enable independent television companies to become major international media players by relaxing ownership rules is in danger of wrecking its own policy of encouraging more domestic competition. It is hastily enacting legislation that may result in new competitors and small existing regional *ITV companies going out of* business altogether. The government *seems prepared to* leave the regulators – the Independent Television *Commission and the Office of Fair* Trading – to sort out the mess.

It is not yet 12 months since the 40-year ITV airtime sales monopoly ended, when Channel 4 *started* selling its own airtime, and the first glimmer of competition was introduced. Yet before that market has even had a chance to develop, we have legislation going through Parliament this week which will allow Carlton to take over Central, and Granada to take over LWT – moves that have the potential to restrict, not encourage, competition.

Concentration of ownership in principle is probably a good thing. A rationalisation of the antiquated and cumbersome ITV federal system is long overdue. But what the government has failed to recognise in this hasty revision of its new (and very recent) ownership rules is its devastating effect on the fragile and newly developing competition for domestic TV advertising.

Ownership is one thing – selling airtime another. If Carlton is *allowed to sell* airtime for (as well as own) Central, and keep its resultant *minority stakes* in GMTV and Meridian, we may well have a *potential world player, but the* government will also have created a *menacing octopus* whose tentacles will strangle home competition.

Similarly, Granada's hostile bid for LWT would put it in an equally dominant position, with minority stakes in GMTV plus Yorkshire and Tyne Tees, and a sales arrangement with Scottish Television.

There you have it – a recipe for two huge potential players to dominate the scene, with the capacity to carve up the *ITV production* network between them, and the airtime sales market as well. Two players would have control and/or influence over a combined total of 70 per cent of Channel 3's revenue.

Certainly Channel 4 will feel the pressure, but not as much as those Cinderella companies which have not been invited to the takeover ball, regional licensees such as Border, West Country, Anglia and new satellite and cable ventures.

There is a simple solution to the cartel scenario: it lies in preserving the ITC's 25 per cent rule

There is a simple solution to this cartel scenario which would in no *way interfere with the government's* global strategy for ITV. It lies in preserving the ITC's so-called 25 per cent rule. This regulation limits the *size* of ITV joint sales operations to 25 per cent each of ITV's total revenue. The ITC laid *down this rule as* recently as 1991 because it was concerned that the new competitors, such as Channel 4, had not become established.

The major advertisers I have spoken to see only one consequence of relaxing the 25 per cent rule – arbitrary price rises by the big two ITV operators, Carlton/Central and Granada/LWT. As evidence I offer this response last week from one large advertising agency: "We support the 25 per cent rule as it is, but we daren't say so publicly. We can't afford to risk the biggest ITV players taking it out on us."

The 25 per cent rule is up for review early next year. The ITC must not relax it. Competition has not developed as fast as it might have. Yes, Channel 4 is a great competitive success, but it holds less than 20 per cent of the television *advertising market. There is no sign* yet of a fifth national channel *which would offer more competi*tion. Growth of satellite advertising *revenue has not taken off yet. ITV* remains the biggest game in town with 75 *per cent of revenue*.

Incidentally, the government might have avoided lumbering the *ITC and the OFT with this problem* if it had provided Carlton and Granada with the obvious bidding competitors – other UK media players. What stopped it from relaxing cross-media ownership rules at the same time? This would have allowed other global British media players such as Pearson, the Daily Telegraph group and Associated Newspapers to join the TV ownership club. Could it just be that the government was afraid that, if it relaxed these rules, its favoured player, Rupert Murdoch's News International, would have been first into the new members' book?

Ah well, just another missed opportunity for the government to get its broadcasting policy on to its own, much-vaunted level playing field. Thank goodness for the ITC's 25 per cent rule – it is the last bastion *of fair play. Now is the time* for all good regulators to come to *the aid of the market*.

Michael Grade

The author is chief executive of Channel 4

OBSERVER

WHAT more can we say?

■ WTA might make it. GAT is in with a chance, as is MTA. But GATO and WHAT are probably all dead ducks.

There's nothing like skirmishing over acronyms to get a serious politico hot and bothered. The selection above are all candidates to replace the scarcely understood Gatt, or General Agreement on Tariffs and Trade, due to expire any minute.

US negotiators fret that MTO, or Multilateral Trade Organisation will displease the US Congress. It sounds too much like ITO, or International Trade Organisation, which Congress vetoed in the late 1940s on the grounds that trade sovereignty was threatened.

In 1990 Congress raised the same *objection against* WTO, World Trade Organisation. So maybe General Agreements *on Trade*, GAT? The General Agreements on Trade Organisation – GATO – fails because it's Spanish for cat.

But the biggest no-hoper so far proffered must be the World High Authority on Trade, or WHAT.

Old boys

■ Kroll Associates, the international corporate sleuths, is known to be a *company* that likes to get its name in the story, if not in the headlines. But on the subject of Michael Oatley, its UK director of operations and the man reported to have acted as intermediary between the British government and the IRA in 1990, it is unusually reticent.

Oatley joined Kroll in February 1991 after "retiring" from the British *intelligence* agency MI6. At one time he was seconded to the Northern Ireland Office and did work in the Foreign Office's Middle East department. Beyond that, Kroll won't be drawn, pleading the Official Secrets Act. Yesterday 58-year-old Oatley was away on Kroll business at an "undisclosed foreign destination".

Hot stuff

■ At least one new award-winner of the much-touted BS 5750 quality standard should be guaranteed a steady stream of business as a result of the accolade. But there again, *South Shields Crematorium* can't have suffered from a declining market. And few of its customers are in a position to complain.

Washington's Seitz

■ US secretary of state Warren Christopher has a pressing task: to find a deputy to succeed Clifton Wharton, summarily disposed of last month.

He has a few names in the hat but it's reasonable to think

'I plumped for the ultra-fascist candidate at the last moment'

Raymond Seitz, currently ambassador in London, is in with a fair chance. Christopher is said to be looking for an experienced *career diplomat*.

Seitz is certainly that. He also has *the advantage* of early availability; next year retired Admiral William Crowe takes over in London.

Two other contenders – Tom Pickering and Stapleton Roy – occupy the hot spots of Moscow and Beijing respectively and may be difficult to move. Another veteran diplomat, Morton Abramowitz, now running the Carnegie Endowment in Washington, has ruled himself out because of sharp disagreement with *US policies in Bosnia. But Michael* Armacost, former US Ambassador in Japan, *is free*.

Whoever gets the nod still faces confirmation by the Senate, which has been sticky with nominations this year. President Clinton has ineffectually complained about the *Senate's sluggish ways. So far this* year he has sent 618 candidates *for the top 957 jobs; but only 465* are in place.

Auld lang syne

■ *How the mighty thud when they* fall. Once France's arts minister, Jack Lang now needs a job; he has been stripped of his parliamentary seat for having spent too much on his campaign in the spring elections.

Lang, 54, bluntly denounced the loss of his seat as an "attack from the right". True, the conservatives never concealed their hatred of *him, one of the most popular* and powerful members of the socialist *cabinet and a close confidant of* President François Mitterrand. They also loathed his policies as arts minister, not least his elaborate *grands projets*, like the Louvre renovation scheme.

But Lang undeniably went over the FFr500,000 limit that French politicians are allowed to spend on their electoral campaigns – FFr90,000 over the limit to be precise.

He is also banned from standing from the French parliament for *at least* a year. That may not trouble him too much; he is eyeing *next year's European parliament* elections.

Headline news

■ From where did Yasser Arafat, chairman of the Palestinian *Liberation Organisation, derive* his distinctive headwear? It was Suha – *who arrives in London with* husband Arafat today – who first *revealed the truth in an interview* with a US television network.

Look carefully and you will see the headgear is folded over Arafat's right shoulder in the shape of Palestine as seen on a map. Look again at the top of his head; the fabric is intended to be arranged in such a way as to represent the cupola of the Dome of the Rock mosque in Jerusalem. Power dressing indeed...

Seasonal hangover

■ And now some good news for Berliners. The city's tax collectors have decided only to send out letters containing "positive news" during the Christmas holiday season. Notices of overdue taxes, fines and court subpoenas will only be posted in January. Wolfgang Grassnickel, spokesman for Berlin's finance authorities, says: "We don't want to spoil anyone's holidays with negative news."

FINANCIAL TIMES
Tuesday December 14 1993

Ministers agree to make EIB first choice for loans

By Andrew Hill in Brussels

The European Union should turn first to the European Investment Bank for loans to fund heavy investment planned for transport, energy and telecommunications networks, finance ministers agreed yesterday.

Mr Philippe Maystadt, the Belgian finance minister, who chaired yesterday's meeting of EU finance ministers, said the EU would have to consider other means of funding trans-European networks only if the EIB had reached its borrowing limits.

On Saturday, EU leaders confirmed that Ecu5bn ($5.7bn) of annual spending on networks would come from the existing EU budget, and Ecu7bn of loans and guarantees from the EIB and the new European Investment Fund. But during the summit, some leaders and finance ministers, notably from Britain and Germany, criticised European Commission proposals to raise an extra Ecu8bn a year through the issue of "Union bonds".

If the EIB could provide the extra funds, it would provide a simple way out of the potentially divisive debate about extra financing. Mr Maystadt said yesterday that the issue would be examined by the council of ministers, the Commission and the EIB in an attempt "to deepen the analysis of the limits of EIB involvement". He said Mr Jacques Delors, Commission president, had designated Mr Henning Christophersen, economics commissioner, to coordinate the policy on trans-European networks.

Separately, ministers formally agreed the legally binding macro-economic guidelines which will be the basis of economic convergence during the next phase of European economic and monetary union, beginning on January 1. The original draft guidelines were modified to take into account the summit's conclusions. In particular, the agreed text suggests using new fiscal measures – for example, environmental taxes – to fund a decline in social security revenue.

The guidelines include a general call for lower interest rates, wage restraint, lower budget deficits and lower government debt. The final text also suggests that real wages could drop in certain sectors of the economy, a clause which the Greek finance minister said his country could not accept. The text was not altered and the Greek government will have to observe the guidelines, but it was able to attach a declaration to the final text saying an improvement in the European economy had to be accompanied by real wage increases.

EU acts to ease multiple share listings, Page 4
Commission takes fresh look at tobacco ban, Page 5

Italy's Northern League to seek alliance with Berlusconi

By Robert Graham in Rome

Italy's populist Northern League led by Mr Umberto Bossi has decided to break out of its political isolation and work for a "liberal-democrat" alliance that includes Mr Silvio Berlusconi, the media magnate.

This is the main upshot of a League congress at the weekend during which Mr Bossi imposed his full authority.

Mr Bossi had been criticised both for his autocratic leadership style and for failing to see the need for alliances in the recent local elections. The League, the party which won most votes in the north, campaigned alone and lacked support to win vital mayoral seats in the biggest cities.

The Italian media have been speculating on a link-up between the League and Mr Berlusconi's nascent political ambitions for several months, but the matter has now been taken one stage further. Over the weekend Mr Berlusconi was perfectly happy to let his name be linked openly to the League in what appeared a well-orchestrated initiative.

Mr Bossi admitted the League had to change tactics to ensure it maintained a voice in Italy's fast changing political scene. He proposed the League as the hard core of an electoral alliance to fight the progressive one formed to good effect at local level by the former communist Party of the Democratic Left (PDS) to contest the municipal elections of November 21 and December 6.

"In Mr Bossi's speech [to the congress], I found significant overtures towards the idea of a broad liberal-democrat alliance," Mr Berlusconi was quoted as saying. "I hope we can come close enough to form a coalition capable of representing a majority in the country and blocking the PDS's conquest of power."

Mr Berlusconi's supporters indicated the League's federalist ideas were a potential source of friction. The League congress called for reform of Italy's constitution to introduce a federal structure dividing Italy into three – Padania (north of the river Po), Etrurira (the centre) and the south.

More importantly Mr Berlusconi could put his TV network licence agreements at risk by active involvement in politics.

Air France outlines its new plan to stem losses

By John Ridding in Paris

Mr Christian Blanc, chairman of Air France, yesterday revealed proposals to stem losses at the state-owned airline and set a target of matching the performance of Lufthansa, its German rival, by 1997.

The proposals, which come two months after a previous recovery programme was abandoned in the face of a bitter strike by Air France employees, have been presented to the airline's 14 union groups. A final document, incorporating the views of the unions, will be discussed with company employees in January and February.

Mr Blanc, who took over as chairman following the resignation of Mr Bernard Attali, the architect of the previous recovery plan, painted a grim picture of the group's financial and operating performance. His response involves a series of cost-cutting measures, plans to increase productivity and the prospect of the allocation of shares to employees in return for pay cuts.

In a statement to employees, Mr Blanc said that Air France would report losses of about FFr7.5bn ($1.27bn) this year and would have debts of about FFr36bn at the end of December, compared with about FFr26bn at the end of last year.

"Air France does not earn enough, spends too much and its productivity is inferior to its competitors," the statement said. "The situation requires a rapid change in methods and morale, a supersonic acceleration."

Air France, on the list of 21 companies due to be privatised, said it would set a target of a 10 per cent increase in productivity for each of the next three years. Operating costs, ranging from fuel to office equipment, would be cut by 7 per cent a year and staff costs by 10 per cent each year for the next three years.

Elf golden shares, Page 18

Israel and PLO admit accord crisis

Continued from Page 1

serious problems after Mr Yitzhak Rabin, Israel's prime minister, and Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, failed to reach agreement in Cairo on Sunday. The two men have agreed to meet again in 10 days.

Mr Shimon Peres, Israel's foreign minister, told Reuters: "It is a serious crisis... It is not the first, it is not the last. Negotiation is, in a way, a chain of crises you have overcome."

Mr Arafat said in the Hague: "Definitely there are serious problems, otherwise why the delay for 10 days?" The PLO leader warned further delay would seriously damage the credibility of the peace process.

Mr Rabin said it would be difficult to iron out outstanding differences within 10 days although "matters of principle" could be resolved in that period.

An Egyptian official closely involved in the talks said the delay placed considerable pressure on the two leaders to find enough common ground to make a second summit meeting succeed. "That meeting would really be the last bell. If we can't reach that, we're really in trouble," he said.

Three key issues have yet to be agreed on the protocol which will lay the framework for a Israeli military withdrawal from the Gaza Strip and West Bank town of Jericho. These are the size of the Jericho area, control over the Gaza-Egypt and Jericho-Jordan border crossings, and the size and role of an Israeli military presence around Jewish settlements in Gaza. Mr Rabin told the cabinet yesterday that the main obstacle was the PLO demand to control the border crossings.

Mr Rabin said he would allow a Palestinian presence at the crossings, but would not concede control because that would involve fundamental issues of security and sovereignty.

Some political analysts in Israel believe Mr Rabin is playing a dangerous game of brinkmanship by increasing the pressure on the PLO at a time of spiralling violence by extremists opposed to the peace process on both sides of the Arab-Jewish divide.

They also believe Mr Rabin is deliberately playing the security card to win back waning public support for the government's peace drive in the wake of increasing attacks on Israelis.

An opinion poll published yesterday showed support among Jews for the peace plan had fallen from 57 per cent in September to 48 per cent.

Gatt trade negotiations

Continued from Page 1

that only the last of these proposals be accepted. He told ministers that the EU should reserve the right to keep the audio-visual sector out of the Gatt deal altogether, as France has demanded.

Disagreement persisted over US treatment of financial services. The telecommunications sector has been put on one side for further debate. A stand-still is expected in the shipping sector.

Fears receded that political crisis in Japan might scupper the round. The Social Democratic Party, part of the ruling coalition, was refusing to support liberalisation of the rice market as part of the Gatt deal. However this morning the Socialists opted to compromise and support the market-opening move.

THE LEX COLUMN

Fisons' bitter pill

Fisons' ability to shock knows no bounds. Poor relationships with regulators and inadequate manufacturing standards in pharmaceuticals were the cause of its pre-Christmas profits warning two years ago. Now it transpires that profits have been massaged by selling cut-priced drugs to wholesalers shortly before the year end. Setting the accounts straight will cost £28m this year. The swing into loss in scientific instruments is more worrying. Even if management grip can be restored, the business looks poorly positioned in weak markets.

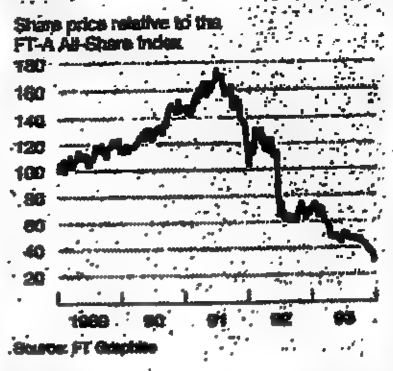
The broader lesson is that Fisons' top management has not undergone the necessary transformation since Mr John Kerridge resigned as chairman and chief executive in 1991. Instead of introducing a tough outsider at that stage, Mr Cedric Scroggs was elevated from within. His departure doubtless owes much to his role as architect of the apparently unsound instruments division. But other directors must bear their share of opprobrium for not tackling the problems sooner. It must now be doubtful whether Fisons can attract a figure of sufficient stature to restore investors' confidence.

While cutting the dividend will help conserve cash at a time of rising capital expenditure, it is by no means clear that the company has the resources to flourish as an independent force in pharmaceuticals. There is always the hope that a drug industry giant will step in to provide both cash and management muscle. A market valuation of around £750m at yesterday's closing share price might start to arouse interest. While the price is falling and the surprises keep coming, though, potential bidders have every incentive to wait.

FT-SE Index: 3254.6 (-6.7)

Fisons

Share price relative to the FT-A All-Share Index



Source: FT Graphite

UK economy

With wholesale price inflation apparently so muted and manufacturing output flat, it is not immediately obvious why the Bank of England should still be banging on about corporate margins. Where domestic margins have increased, it is more a case of costs being cut than prices put up. The manufacturing output figures may understate the true level of demand – surely the spurt in electricity production cannot all be due to cold weather. But the anecdotal evidence suggests consumers remain extraordinarily price conscious.

The export trade presents a different picture. If they believe figures which have become highly suspect, the authorities have some reason for disappointment that export prices have increased about as fast as import prices since the UK left the ERM. Business is apparently taking advantage of the devaluation to widen margins rather than increase volume. The trend is worrying because it suggests failure to adapt to a low inflation environment. Presumably companies would be jacking up domestic prices if only the market would permit. The Bank will have to labour the point to drive home what is a long term message. If the fight against inflation is not to be too painful, companies must believe that the authorities will not accommodate excessive margin increases. That does not exclude the possibility of lower base rates in the short term. Tomorrow's retail prices index could be a better guide to the immediate chances than yesterday's speech by the deputy governor.

UK television

Granada's barb that an independent LWT risked being marginalised in the brave new world of television has clearly struck a funny bone. LWT has since been constructing inventive theories for how a "quartet" of television stations could now merge. LWT is quite right to explore every avenue to maximise shareholder value. But from the outside, it is hard to see how it can devise a satisfactory scenario.

LWT might have hoped its 14 per cent shareholding in Yorkshire-Tyne Tees would have provided a sound starting point. But this liaison has turned into a nightmarish blind date. The confirmation of further bad news and a passed dividend from Yorkshire yesterday has only complicated the game. A straight deal with Anglia might have represented a simpler and more attractive defence.

Granada will be itching to conclude its bid quickly to frustrate any alternative plans and may be prepared to sweeten its terms to do so. LWT's institutional investors, who bought shares in anticipation of industry consolidation, are likely to prove fickle friends, especially when prices of 30 times historic earnings are being thrown around for starters. They may also dwell on the longer term trends in television. After reaping the benefits of the cyclical rebound in advertising revenue, ITV franchises will face a tough challenge growing earnings thereafter. Commercial television is a relatively mature industry. Future advertising growth will be at least partially undermined by emerging satellite and cable rivals.

UK equities

The new rules allowing a five-day delay in publicising large UK equity trades, introduced yesterday, are the stock exchange's latest effort to balance the interests of market makers with the overriding need for transparency. Publication of all bargains within five minutes, introduced after Big Bang, was considered too tight and discouraged market makers from dealing in large blocks of shares. Yet the 24-hour delay in publication of large trades, allowed after 1989, fell foul of the Office of Fair Trading. The 90-minute delay allowed until yesterday satisfied the regulators, but still left the market makers unhappy.

It is a fair bet that the new rules will not last long. The maximum five-day delay is generous, but the stock exchange has defined a large trade more narrowly than before. On average, less than 100 bargains a day meet the new criteria, of which only a handful typically involve FT-SE 100 stocks. Even so, any erosion of transparency creates problems of its own. Equity options traders might feel themselves at a disadvantage to market makers in the cash stock. The proof of the pudding will be whether the rules increase the number of block trades and thus improve liquidity, especially in smaller company shares. Still, the criteria for judging success has been left worryingly vague. The regulators would do well to make sure that marginal improvements in liquidity are not being bought with significant losses of transparency.

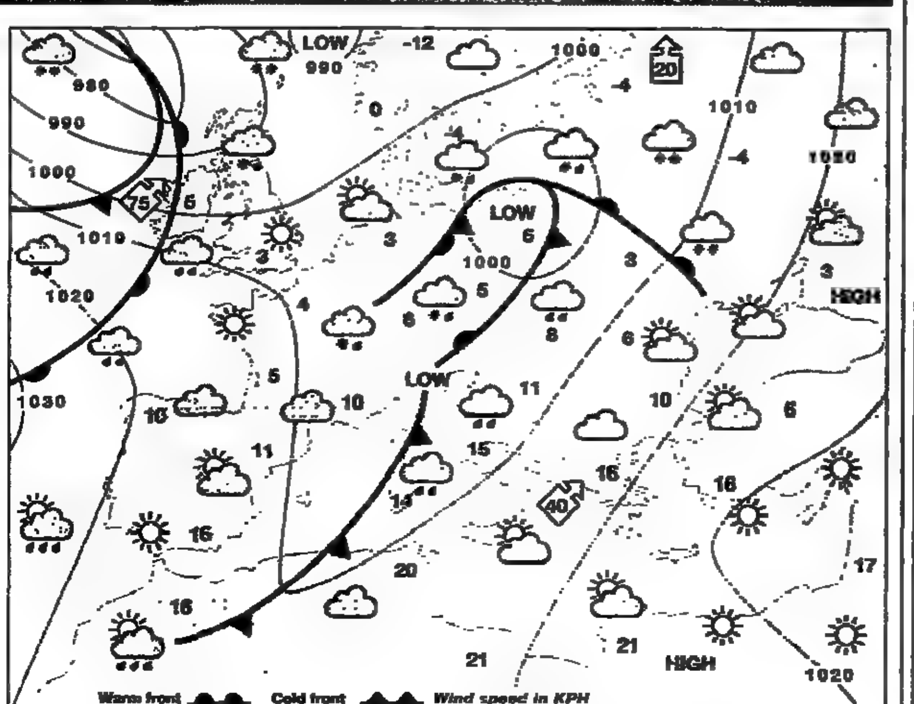
FT WEATHER GUIDE

Europe today

Conditions remain unsettled over most of Europe. A large low pressure area over Poland will cause snowand sleet in the Baltic states, eastern Germany and parts of former Czechoslovakia. A frontal system will bring bands of rain across central Italy, Croatia, Slovenia and Hungary. The Italian Appennines may have downpours. In north-western Europe, another depression will approach Ireland and Scotland. Along the Atlantic coast, there will be a severe gale. Gales will progress into the Irish Sea. Sunny and mild conditions may be expected in southern Spain and along the far eastern Mediterranean coast.

Five-day forecast

During the next 3 to 5 days, the Atlantic low pressure area will move across the North Sea toward the north-east part of the continent. Conditions will stay unsettled from Scotland to southern France with gales along the Atlantic Coast of France and across the North Sea. In contrast, Spain and south-eastern Europe will be sunny with seasonable temperatures. Snowy conditions are likely in the Alps with only little improvement, and snow is also expected in eastern France and parts of Switzerland.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	rain	4	Cardiff	rain	3	Frankfurt	shower	4	Malta	fair	18	Rio	sun	30
	Celsius		Belgrade	cloudy	10	Chicago	rain	6	Geneva	cloudy	5	Manchester	cloudy	4	Riyadh	sun	26
Abu Dhabi	sun	27	Berlin	sleet	5	Cologne	cloudy	6	Gibraltar	sun	17	Manila	fair	30	Rome	rain	16
Accra	fair	32	Bermuda	fair	25	D' Salaam	fair	30	Glasgow	windy	4	Melbourne	shower	25	S. Frsco	shower	12
Algiers	shower	20	Bogota	cloudy	23	Dakar	fair	25	Hamburg	cloudy	1	Mexico City	hail	21	Seoul	fair	3
Amsterdam	fair	5	Bombay	fair	33	Dallas	sun	15	Helsinki	cloudy	-5	Miami	thund	25	Singapore	thund	31
Athens	sun	16	Brussels	fair	4	Delhi	sun	27	Hong Kong	cloudy	19	Milan	shower	7	Stockholm	fair	-6
B. Aires	fair	25	Budapest	rain	7	Dubai	fair	28	Honolulu	fair	26	Montreal	fog	2	Strasbourg	sleet	4
B.ham	fair	4	C.hagen	fair	1	Dublin	rain	5	Istanbul	sun	11	Moscow	snow	-3	Sydney	fair	33
Bangkok	fair	32	Cairo	sun	18	Dubrovnik	shower	15	Jersey	sun	7	Munich	sleet	4	Tangier	fair	13
Barcelona	fair	12	Cape Town	cloudy	29	Edinburgh	shower	4	Karachi	fair	30	Nairobi	fair	25	Tel Aviv	sun	16
Beijing	sun	-1	Caracas	fair	26	Faro	sun	15	Kuwait	fair	21	Naples	rain	15	Tokyo	fair	10
									L. Angeles	fair	17	Nassau	sun	28	Toronto	cloudy	5
									Las Palmas	fair	21	New York	fair	13	Tunis	cloudy	21
									Lima	fair	24	Nice	shower	14	Vancouver	shower	9
									Lisbon	fair	12	Nicosia	sun	19	Venice	rain	9
									London	sun	5	Oslo	sun	-8	Vienna	rain	7
									Lux.bourg	cloudy	4	Paris	cloudy	4	Warsaw	cloudy	7
									Lyon	cloudy	6	Perth	fair	26	Washington	fair	13
									Madeira	shower	17	Prague	sleet	5	Wellington	fair	17
									Madrid	fair	9	Rangoon	cloudy	32	Winnipeg	sun	-9
									Majorca	shower	16	Reykjavik	sleet	1	Zurich	sleet	3

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Elf golden share allows state veto

The French government's golden share in Elf Aquitaine will allow the state to veto asset sales, the French economy minister revealed yesterday. The oil group is due to be privatised early next year. Page 18

US group heads for the highways
Some 28 US companies have formed the Cross Industry Working Team (XIWT) to develop and promote information super-highways – high-speed digital networks that will link businesses and homes. Page 20

Laidlaw opens way for disposing of ADT
Laidlaw, the Canadian waste disposal group, is issuing $280m in debentures that will allow it to dispose of its 24 per cent stake in ADT, the Bermuda-based security and vehicle auction group. Page 20

Sweden claims success for merger
Sweden says the merger of Nordbanken and Gota Bank was a success, in spite of the fact that rescuing the two banks cost the government SKr81.6bn ($9.8bn) plus SKr110bn to cover bad loans. Page 20

Yorkshire discussing takeover with LWT
Yorkshire-Tyne Tees has confirmed that it is talking to London Weekend Televsion about an agreed takeover. Shares in Yorkshire rose 2p to 163p yesterday. Page 24

Greene King held to 1% profit rise
Greene King's first-half pre-tax profits rose only 1 per cent to £9.6m ($14.3m). The company blamed the beer market in East Anglia, which it said had shown little evidence of economic recovery. Page 24

Berkeley builds earnings by 83%
UK housebuilding group Berkeley announced an 83 per cent rise in pre-tax profits to £12.6m ($18.8m) during the six months to October 31. Page 24

SmithKline drug approved in UK
SmithKline Beecham has been granted a licence from the Department of Health to market its new anti-viral drug, Famvir. The drug, which treats shingles, opens up a potentially lucrative market for the company. Page 25

It never rains but it pours

In the US, nature has been more fickle than usual, flooding grain crops in the Midwest and visiting drought on the south-east. Farmers on high ground can boast record maize crops while their lowland colleagues have been wiped out by swollen rivers. Page 28

Hong Kong's world-beating increase
The Hong Kong market remained firmly on the upward escalator last week, recording the sharpest five-day rise for any market this year. Back Page

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Degussa	463	+	10
Hochtief	1102	+	22
Karstadt	576	+	5.5
Falls			
Didier-Werke	138.1	–	5.4
Metallgesellschaft	293	–	30
Porsche	775	–	30
NEW YORK ($)			
Rises			
Homestake	22⅞	+	⅜
Loral	34⅛	+	1⅞
Nutmeg Inds	17¼	+	2⅛
US Surgical	22⅝	+	1⅞
Falls			
Alaska Air	14½	–	1½
ProCyte	11	–	4½

New York prices at 12.30.

PARIS (FFr)			
Rises			
Ecco	635	+	29
Gal Lafayette	1965	+	48
Pinault Printmp	855	+	34
Spie Batignl	392	+	17
Falls			
Orsan	183	–	9
TOKYO (Yen)			
Rises			
Asahi Optical	370	+	29
Hitachi	840	+	30
Juroku Bank	580	+	59
Seibu Rlwy	3750	+	200
Falls			
Sekonic	365	–	25
Yamaha	882	–	38

LONDON (Pence)			
Rises			
Alvis	40	+	4
Bakyrchik	405	+	55
Berkeley	480	+	20
Bowater	475	+	18
Burnfield	67	+	8
Chiltern Radio	102	+	8
Eurotunnel	509	+	33
Ferrans	78	+	6
Hartstone	50	+	8
Norbain	290	+	21
Picard	64	+	13
Vega	216	+	21
Falls			
BTR	338	–	11½
Beverley	3½	–	2
Fisons	113	–	24
NFC	222	–	11
Porvair	253	–	15
Redland	583	–	12
Richards	68	–	7
Unit Group	21	–	8

IBM sells defence unit to Loral

By Louise Kehoe in San Francisco

International Business Machines is to sell its Federal Systems Company division to Loral, the US defence contractor, for $1.58bn cash.

Last month IBM said it had received several offers for FSC, believed to be from American Telephone & Telegraph, Martin Marietta and the Hughes Aircraft division of General Motors, as well as Loral.

FSC is a US-based division of IBM that sells computer systems and services, mainly to US government agencies.

It employs 11,400, almost all in the US. The division posted 1992 revenues of $2.3bn, up from $1.9bn in the previous year, but its business has been relatively flat amid US defence spending cuts.

For 1992 FSC recorded a net profit of $71m after being assessed for a portion of IBM's restructuring charges.

About 60 per cent of FSC's business is defence related and 40 per cent is complex systems integration projects for agencies such as the Federal Aviation Administration and the US Postal Service.

FSC expects 1993 operating income, before corporate and restructuring charges, of $165m on revenues of around $2.2bn. Loral is acquiring all of FSC's businesses, except Federal Systems Marketing, which sells standard IBM products and services to government agencies.

Loral said the acquisition would not be dilutive. It would be financed through borrowings.

"The Federal Systems Company consistently has been a leader in the highly specialised governmental marketplace," said Mr Lou Gerstner, IBM chairman. "Nevertheless, this market is changing rapidly today and we have determined that this sale is in the best long-term interests of IBM and its shareholders. We're pleased that FSC employees will join a company that is committed to the defence marketplace over the long term."

Mr Gerstner, who joined IBM earlier this year, has made clear he is not in favour of breaking up the company. The specialised nature of FSC and its heavy dependence upon defence contracts, in an era of defence cuts, made it a prime candidate for sale as IBM slims its operations.

Following the acquisition, Loral will have combined annual revenue of around $6bn and more than 35,000 employees.

IBM's share price rose on news of the sale to $56¾, up from Friday's close of $55¼. Loral rose $2⅝ to $34⅞.

Hungary to bail out 10 banks

By Nicholas Denton in Budapest

The Hungarian government yesterday unveiled a two-stage $1.4bn bail-out for 10 commercial banks which have had their capital wiped out by loan losses.

In the first stage later this month the state will inject Ft110bn ($1.1bn) to restore solvency to Magyar Hitel Bank, Kereskedelmi Bank and Budapest Bank, the country's three largest commercial banks, and five smaller financial institutions.

On average the banks have negative capital equivalent to about 15 per cent of risk-weighted assets and the infusion is needed just to raise the banks' capital adequacy to zero.

The rescue is necessary before the closing of the 1993 accounts to rebuild confidence in the troubled banks after a World Bank aide-memoire declared them "technically insolvent".

A further recapitalisation in the first half of 1994 will include two more banks and raise capital adequacy ratios to at least 4 per cent at an estimated cost of Ft30bn.

The government hopes that its support will speed privatisation of the banks and that the contribution of new investors will take capital adequacy ratios to the 8 per cent standard set by the Basle-based Bank for International Settlements.

Hitel Bank has the largest call on the government's funds with a capital need of more than Ft50bn. It is the largest commercial bank and main lender to the engineering companies which have suffered most from the collapse of Comecon markets.

The latest commitment comes on top of the state's assumption of bad debts from the banking sector at a cost of Ft100bn in 1992 and a similar Ft40bn exchange earlier this year.

The government is spreading the burden through 20-year bonds. Yesterday's announcement takes to nearly Ft300bn the total cost of Hungary's efforts to shore up its banking system.

The capital increase will dilute the shareholdings of existing investors and the ministry intends to demand a controlling golden share in any bank in which its stake does not reach 75 per cent.

The bail-out agreements impose strict conditions on participating banks to guard against a recurrence of the bad debt crisis.

Fisons ousts Scroggs as its chief executive

By Paul Abrahams in London

The board of Fisons, the troubled UK pharmaceuticals and scientific equipment group, has ousted its chief executive Mr Cedric Scroggs.

The company is now looking for its third chief executive in as many years. The group also announced its third profits warning since 1991, the resignation of its finance director and a cut in its dividend.

Mr Patrick Egan, chairman, said he had expected the group to make a pre-tax profit of £100m ($1.49m) this year. But because of restructuring provisions and a change in trading policy for the drugs division it expected only to break even. He promised results would improve from 1994.

The final dividend has been cut from 5.4p to 1p, making a total dividend of 4.3p (8.7p). The group said this would save £37m in cash next year. Fisons' shares closed down 24p at 113p.

Mr Patrick Egan, chairman, said: "Cedric was offered the opportunity to resign, which he refused. He was, in effect, sacked." The primary cause of Mr Scroggs' unexpected departure was the collapse in operating profits of the scientific equipment business for which he held board responsibility. The operations will report a loss this year of £16m against a trading profit of £12m last year.

Mr Egan said the business had been hit by the recession, but a £25m turnround was unacceptable. "There have been clear managerial weaknesses," he said.

The collapse in profits at the scientific instruments division exposed some accounting practices in the drugs operations which, according to Mr Mike Redmond, pharmaceuticals managing director, were unwise but not illegal. These included boosting sales and profits by offering discounts towards the year-end. In 1991, when the practice was at its peak, it generated nearly a fifth of the division's sales.

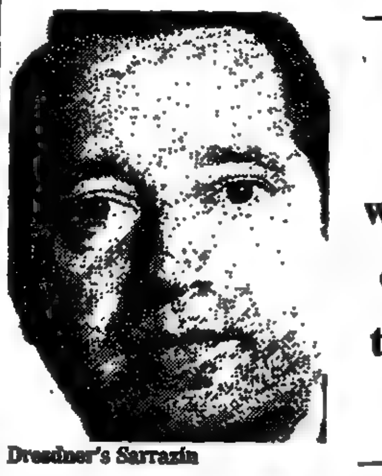
Mr Roy Thomas, finance director, has resigned. He was scheduled to leave shortly. Mr Redmond said his early resignation was not related to the discounting policy.

The discounts have been stopped. The drugs division's trading profits would be £28m less than they would have been, said Mr Redmond. Operating profits this year would also be hit by a charge of £3m for restructuring and one of £5m for stocks write-offs. A further £15m would be charged over the next two years to cut annual costs by £25m.

Lex, Page 16; SmithKline approval, Page 25

German banks' success has brought criticism, writes **David Waller**

If you've got it, flaunt it



Dresdner's Sarrazin

'Are we not allowed to do well, just because other sectors of the economy are doing badly?'

Deutsche's Kopper

'I'm always expecting letters of congratulation, but they never seem to arrive'

Just as many rich Germans lead a modest lifestyle, the country's banks do not like to flaunt their prosperity. But in the past few weeks, the big banks have put reticence aside and told the world how they are making more money this year than they have ever done, in spite of the deep recession afflicting their customers.

One big bank after another has reported a surge in profits for the 10 months to October, even after making provisions for mounting bad and doubtful debts.

The growth was most pronounced at Commerzbank, the third largest, where operating profits after provisions rose by 52 per cent. But it was still impressive at Deutsche Bank and Dresdner Bank, where profits rose by 11 per cent and 16 per cent respectively. At Bayerische Vereinsbank and the Hypo-Bank, the two big Bavarian banks, profits grew at a respective 28 per cent and 27 per cent.

The main impetus for growth came from buoyant conditions in world securities and currencies markets, which helped the banks make record trading profits on their own account and generate healthy commission income from dealing on their clients' behalf.

On top of this came an increase in profits from mainstream lending. In the six months to October, bank lending was still growing at an annualised rate of 9.2 per cent, despite the depth of the recession. Mortgage business is growing even more rapidly as demand for loans has been stimulated by extremely low long-term interest rates.

Offsetting the growth in profits was a sharp deterioration in domestic credit quality. All the big banks, with the exception of Commerzbank, reported substantial increases in provisions to cover questionable risks. At Deutsche Bank, provisions surged 54 per cent to DM2.5bn ($1.47bn) in the first 10 months of the year and are likely to reach DM3bn for the year as a whole.

On balance, even the full flexibility of German accounting – which gives managers considerable scope to deploy "hidden reserves" to keep reported earnings at whatever level suits them – could not serve to hide the fact that German banks' profits were embarrassingly good.

Coming at the trough of the German recession and a time of misery for the growing ranks of Germany's unemployed, the figures put the banks' chief executives on the defensive at recent press conferences.

"Are we not allowed to do well, just because other sectors of the economy are doing badly?" Mr Jürgen Sarrazin, chief executive of the Dresdner Bank, asked in an exasperated tone. "On the contrary: now is the right time for banks to show their strength, as a frail financial sector would push the economy deeper into crisis."

His cry of was taken up by Mr Hilmar Kopper at the Deutsche Bank, who was not ashamed to spell out that Deutsche's DM4.2bn profits were bigger than those of the next five banks put together, even though its growth rate was less spectacular. Mr Kopper said that German banks made less money than their international rivals and should not be ashamed of making money. "I'm always expecting letters of congratulation," he quipped, "but they never seem to arrive."

The figures helped revive resentment about the economic might of the banks, which is as least as old as the Federal Republic of Germany. Ever since Mr Hermann Josef Abs, the legendary former chief executive of the Deutsche Bank, rebuilt the commercial banking sector in the aftermath of the second world war, there has been a none-too-subdued debate about the "power of the banks".

Critics of the banks, the best known of whom is Mr Otto Lambsdorff, economics spokesman of the Free Democrats (FDP), believe the banks enjoy an overmighty concentration of economic power that is detrimental to consumers and competition. That power, critics allege, stems from the banks' extensive holdings in German industry and their seats on the supervisory boards of big German companies – not to mention their ability to make vast profits amid recession.

"The power of the banks must be broken apart," Mr Lambsdorff said last week ahead of a hearing in Bonn at which politicians met to consider whether banks should be subject to new legal constraints on their activities. "The power of the banks damages *Standort Deutschland* – Germany as a place to do business," said Mr Hans Martin Bury, an MP for the opposition Social Democrats.

Bankers brush off the criticism with more annoyance than usual – partly as they know from the experience of recent months that power does not come without responsibility. During good times it may be a fine thing to own big stakes in dozens of big industrial companies, but in recession the stakes become a headache.

For example, today's meeting of the Deutsche Bank board will doubtless focus on problems at Metallgesellschaft, the troubled metals-to-mining conglomerate in which Deutsche owns an 11 per cent stake. At other board meetings the troubles of Daimler-Benz (28 per cent owned by the bank) or the ailing Maho machine tools company (18 per cent) will have dominated the agenda.

A second reason for annoyance is that bank profits cannot be sustained at current levels, as Mr Kopper at Deutsche Bank said last week. He explained that much of the bank's growth in profits in the first 10 months was due to buoyant foreign operations, where profits climbed 40 per cent. In Germany, there was no escaping the recession, and profits at the parent bank actually fell by 9 per cent.

Where Deutsche leads, others tend to follow, and it seems unlikely that the banks' immunity to the downturn will last much longer. Bad debts will continue to climb and securities markets – back to more normal levels of activity – will not provide a cushion of substantial trading profits.

In a year's time, Mr Sarrazin of the Dresdner Bank will look back with nostalgia on the days when he had to be defensive about making record profits.

Trafalgar House to announce large provisions and write-offs

By Paul Taylor in London

Trafalgar House, the troubled conglomerate, will today report substantially larger than expected year-end asset writedowns and provisions.

Full-year provisions are likely to total about £400m ($597m) dwarfing even the most pessimistic estimates from analysts, who have been predicting provisions of up to £270m, including £120m of provisions to cover restructuring and property write-downs announced at the interim stage.

Provisions on this scale will swamp the expected small underlying annual profit and appear to confirm Trafalgar's reputation for coming up with unexpected bad news. Last year Trafalgar reported a £30.3m pre-tax loss.

The size of the year-end provisions reflects the determination of Trafalgar's new management to get to grips with the group's problems and clean up its battered balance sheet.

Trafalgar is now firmly under the influence of Hong Kong Land, which has invested £200m, and built up a 25 per cent stake. Hong Kong Land has four board representatives including Mr Simon Keswick, chairman, and Mr David Gawler, finance director.

Trafalgar's board instituted a business review with the group's new financial advisers, Robert Fleming and Schroder Wagg. Independent valuations were made of the group's properties, including group-occupied properties that have previously been held at cost or on the basis of earlier valuations; the commercial property portfolio; the group's hotels including the Ritz, which were last valued in 1989; and the Emerald oil rig in the North Sea. It is understood that these new valuations have shown the need for substantial write-downs.

Some analysts also believe that Trafalgar's board may have decided to repay part of its more costly debt such as the 10⅞ per cent bonds due in 2014. This would absorb some of the proceeds of the planned £400m rights issue of convertible preference shares, details of which are also expected today.

The rights issue was announced in October when Trafalgar issued profits warnings and said the business review had concluded that the February issue would not provide sufficient resources to support the group's expanding engineering and construction businesses, the refurbishment of its fleet and plans to invest in infrastructure projects. Trafalgar's share price closed 2p higher at 87½p.

Golden share in Elf gives France veto on asset sales

By John Ridding in Paris

Mr Edmond Alphandéry, the French economy minister, yesterday gave details of the golden share to be retained in Elf Aquitaine, the oil group which is due to be privatised early next year.

According to Mr Alphandéry, the terms of the golden share will require government approval for other investors, either acting individually or in concert, to raise their shareholdings in Elf above the limits of 10 per cent, 20 per cent and 33.3 per cent.

The golden share, which will be of unlimited duration, will also give the French government a veto over asset sales if it feels they threaten the national interest. This veto will apply to asset sales in Elf Aquitaine Production, Elf Antar France, Elf Congo and Elf Gabon, an official said.

In addition to the golden share, the French government will retain a holding of between 10 and 15 per cent in Elf through Erap, the state holding company, which currently controls 50.8 per cent of the oil group's shares. The precise level will be set at the time of privatisation, which Mr Alphandéry said would take place in the first few months of next year.

Mr Alphandéry said the measures would "assure the protection of national interests" following Elf's privatisation. "With the golden share on the one hand and the state's stake on the other, we have found the right balance," he said.

Oil industry analysts said yesterday's announcement reflected the sensitivity of the privatisation of Elf Aquitaine, France's largest industrial group. "The golden share is no surprise," said one analyst, "but the government is clearly retaining a maximum of control under the terms of the privatisation law."

The sale of the stake in Elf Aquitaine will be the first privatisation to take place next year. It will be the largest so far in the government's programme to sell 21 publicly-owned groups and is expected to raise between FFr40bn and FFr50bn ($8.6bn).

Pirelli to float up to half of Australian unit

By Haig Simonian in Milan

Pirelli, the Italian cables and tyres group, is to float up to half its Australian cables subsidiary to raise cash in the recession.

The company will sell up to 50 per cent of Sydney-based Pirelli Cables Australia, which employs about 600 people and expects sales of A$135m (US$88.2m) this year.

Pirelli, the world's second biggest cables maker, is joining a growing queue of companies taking advantage of local circumstances to float their Australian operations. The company did not indicate precise timing, but said the deal would take place within the next six months.

Pirelli justified the decision, in which it is being advised by Baring Brothers, under a strategy to establish a local profile for the operation and provide access to domestic sources of equity.

The Asian telecommunications market is growing extremely fast, and an Australian listing could help to raise additional funds.

The deal could provide a welcome boost to Pirelli's stretched resources during continuing difficulties in the tyre and cables markets.

Saft buys aerospace battery manufacturers

By John Ridding

Saft, the battery manufacturer which is a subsidiary of Alcatel-Alsthom, the European telecommunications, energy and transport group, has agreed to buy the aerospace battery activities of two US groups, Gates Corporation and Johnson Controls, writes John Ridding.

Gates' aerospace batteries division manufactures nickel-cadmium and nickel hydrogen products and employs 130. Johnson Controls, based in Wisconsin, is a specialist in lightweight, high-powered batteries suitable for use in communications satellites.

Saft, which already has production centres in the US, has annual sales of about $600m. Its space division recorded sales of $10m last year, more than half of which came from satellite applications. The company said the planned acquisitions would make it one of the world's largest satellite battery manufacturers with annual sales of about $17.5m from this activity.

London Electricity lifts interim payout by 32% to 7.4p a share

By Michael Smith in London

London Electricity yesterday announced an increase in its interim dividend, which at 32 per cent was well ahead of any of the other UK regional electricity companies.

London's increase reflects the adoption of a policy which makes it the first regional power company to state an aim to pay a third of the total dividend at the halfway stage. Other electricity distributors tend to aim for 30 per cent.

Analysts increased their dividend forecasts for the full year marginally to about 22.2p. The shares rose initially but closed the day unchanged at 644p.

In the six months to September 30, London made pre-tax profits of £69.9m ($104.5m), against £52m, restated to take in the effects of the new coal contracts. Turnover on continuing operations was down from £584.3m to £581.6m.

Earnings per share rose to 24p from 17.7p and the dividend to 7.4p from 5.6p.

Bombardier sees loss on Channel project

By David Buchan in Calais

Bombardier, the diversified Canadian transport group which is making the Channel tunnel shuttle, expects to make a loss on its contract to supply railcars, but hopes that the technical prestige of the contract will bring future compensation and orders.

Mr Michel Lord, a vice-president of Bombardier, said that his company would not have signed its C$820m (US$621.2m) contract in 1989 to supply 254 railcars if it had known there was going to be an eventual C$450m cost over-run.

Bombardier said the over-run was almost entirely due to design changes imposed on contractors by French and British government safety inspectors, such as a 10cm widening of some doors, and demanded compensation.

In a deal reached earlier this month with Eurotunnel, the operator of the undersea rail link, Bombardier settled for C$157m in cash and up to 25m shares in Eurotunnel, which at their current valuation would bring the compensation up to C$375m.

"A speedy out-of-court settlement for less is far better than spending 10 years in court for more," Mr Lord said. Bombardier, which in accepting the shares has become Eurotunnel's largest single shareholder, hopes that in other contracts it would be able to recoup losses it had made on the Channel tunnel project and find a use for the technical lessons it had learnt.

"The Eurotunnel railcars are the most sophisticated product we have ever made in this line," said Mr Ward, because of their size – some are double-decked to take cars – and because of the security equipment required in the 50km tunnel.

Speaking at the French end of the tunnel which has now been handed over by Trans Manche Link, the construction consortium, to Eurotunnel, the latter's director-general, Mr André Bertrand, indicated yesterday it would still be some time before Eurotunnel presented its final bill.

High-flyer not yet out of a tailspin

Fisons is still facing an uncertain future, writes Paul Abrahams

For Fisons, the UK pharmaceuticals and scientific equipment group, yesterday's bad news was only the latest in a succession of sackings, profit warnings and restructurings over the last three years.

This was once a high-flying company, transformed during the 1980s by the then chairman and chief executive Mr John Kerridge from a loss-making fertiliser manufacturer into a drugs and equipment group that was touted as the next Glaxo.

After Mr Kerridge took the helm in 1980, Fisons' share price rose from a low of 12.5p to a high of 513p in July 1991. Five months later Mr Kerridge resigned, officially for reasons of ill-health.

Yesterday the stock closed down 24p at 113p, its lowest since 1984.

Fisons' difficulties first manifested themselves two years ago following regulatory problems with the US Food and Drug Administration.

The subsequent management reshuffle left Mr Patrick Egan, a non-executive and Unilever veteran, as chairman. After some delay, Mr Cedric Scroggs, the scientific equipment director, was promoted to chief executive.

The first managerial change was fairly orderly. The latest crisis, which came to a head on Monday night during a lengthy board meeting, has left the company in disarray, without a chief executive, without a finance director and without an apparent strategy.

Mr Egan's first task is to find replacements for Mr Scroggs and Mr Roy Thomas, the finance director who resigned on Friday.

That could prove difficult. In 1991, two headhunting firms failed to find a convincing outsider to replace Mr Kerridge as chief executive.

The chances of finding a credible executive from the drugs industry to replace Mr Scroggs are even more remote now that the company's plight is even worse.

The scientific instrument business, through which Mr Scroggs built his reputation, will suffer a collapse in operating profits this year, falling from £12m last year to a loss of about £16m during 1993.

Mr Egan admits the business is a curate's egg. The organic analysis equipment operations are very good, although they are not performing as well as they should, he says. Parts of the inorganic equipment business are performing well, but others are in difficulty. One inorganic business is regarded as non-core, and finally, the surface science operations are losing money.

The collapse in scientific equipment has exposed some dubious accounting practices in the drugs division, though this revelation has nothing to do with the premature retirement of Mr Thomas, Mr Egan says.

The drugs division was boosting sales and profits by offering heavy discounts to wholesalers towards the year-end. This policy, which started as early as 1984, became increasingly important until, in 1991, it generated additional sales of £78m out of a divisional turnover of £427m.

After Mr Kerridge left, the board decided gradually to wind down such discounts, reducing them to £62m last year and about £50m this year. However, the collapse in the scientific equipment business forced the board's hand. If it had continued the gradual winding down of the discounts, the group would have registered almost zero profit growth over the next two years, according to Mr Egan.

Mr Mike Redmond, pharmaceuticals managing director, insists the drugs division is sustainable in spite of all its difficulties. He has launched a cost-cutting programme called "funding Fisons' future", designed by consultants from Coopers & Lybrand. Its initial aim is to cut 15 per cent from fixed costs, saving £25m a year by 1996.

Provisions of £10m will be made in 1994 and £5m in 1995 and there should be a net benefit in each year, according to Mr Egan. He insists the company has cleared out the stables and management can now take a firm grip.

But management protests that the pharmaceuticals business is sustainable are open to question. The division's new product, Tilade, has proved a disappointment in Europe. It has no product in late stage development, and it has not yet been able to license in compounds from other sources.

The obvious answer is a merger or takeover by another company.

One option is for a Japanese drugs group, anxious to acquire development expertise and distribution in the US and Europe, to approach Fisons' board. The timing is awkward though, because most Japanese pharmaceuticals companies are struggling with an increasingly difficult domestic market and are strapped for cash.

Nevertheless, with Fisons' share price cheaper than at any point in a decade, a Japanese or western group may be willing to put the Ipswich-based company out of its misery. Otherwise it is difficult to see how this former fertilisers group can escape from the mire.

Lex, Page 16; SmithKline Beecham drug approval, Page 25; Capital Markets, Page 20

Lifeboat sent for bondholders

Fisons yesterday sent out a lifeboat to holders of its only public bond issue, a £100m offering of 10-year Eurobonds, by offering to buy back the bonds at Friday's closing level or to exchange them for a new issue of five-year bonds, writes Antonia Sharpe.

Investment bankers at JP Morgan, who had spent the weekend hammering out the strategy, said that Fisons had taken this action because it wanted to maintain a presence in the bond market without placing investors at a disadvantage.

News of Fisons' restructuring plans caused some embarrassment to JP Morgan as only two months ago it had arranged the company's first public bond offering since 1986. The deal had been seen as a feather in JP Morgan's cap in view of Fisons' lack of a credit rating and its poor performance in the stock market.

Varde to be split up as deficit rises

By Hilary Barnes in Copenhagen

Varde Bank, Denmark's 10th largest bank with assets of about DKr11bn ($1.65bn), is being broken up and the healthy business will be acquired by Sydbank Sonderjylland, the South Jutland banking group, Sydbank said yesterday.

Varde Bank, which serves the region of the West Jutland port of Esbjerg, underwent a financial reconstruction a year ago, when the central bank and the larger commercial banks put up guarantees to enable it to stay in business. But fresh losses this autumn sent the bank's capital adequacy ratio under the Danish legal minimum ratio of 9 per cent and negotiations to find a solution to the bank's problem have been continuing for several weeks.

The final arrangements for winding up the bank will be announced today. An option being considered, according to Varde Bank, is the creation of an asset management company, or "bad bank", to take over the biggest of the bad debts, which are linked to property engagements.

Denmark operates a deposit insurance system to prevent losses for deposits of up to DKr240,000.

Iberdrola holds midway payout

Iberdrola, Spain's biggest private sector utility, will pay a gross interim dividend of Pta31.25 per share for 1993, unchanged from the previous year, AP-DJ reports from Madrid.

The final dividend for 1993 will be decided at a general shareholders meeting next spring, the company said. In 1992, Iberdrola paid out a final dividend of Pta30 per share.

ISIN: NO-000-1333694

10 % City of Oslo 1986/1996

(Kingdom of Norway)

NOK 250.000.000

10 % BONDS DUE 1996

Notice of optional redemption

The terms and conditions of the loan give the City of Oslo the option to redeem bonds prior to maturity at a premium on the interest payment date. As a consequence of, and in accordance with this option, the remaining outstanding bonds at the nominal value of NOK 124.990.000,– will be redeemed at 101 per cent as per 15. January 1994.

Bonds earlier drawn for redemption at par but not presented for payment:

83-1/93	5012-1/93	6656-1/93	8006-1/92	9229-1/93	9907-1/93	11428-1/93	13372-1/93	13959-1/93	14411-1/93
114-1/93	5013-1/93	6663-1/93	8007-1/93	9236-1/93	9971-1/93	11606-1/93	13378-1/93	13972-1/93	14412-1/93
116-1/93	5015-1/93	6668-1/93	8010-1/93	9242-1/93	9998-1/93	11608-1/93	13399-1/93	13992-1/93	14429-1/93
154-1/93	5162-1/93	6819-1/93	8011-1/93	9251-1/93	10002-1/93	11636-1/93	13412-1/93	13993-1/93	14440-1/93
264-1/93	5185-1/93	6826-1/93	8012-1/92	9252-1/93	10003-1/93	11884-1/93	13436-1/93	13997-1/91	14462-1/93
268-1/93	5217-1/93	6882-1/93	8037-1/93	9293-1/93	10007-1/93	11893-1/93	13444-1/93	14005-1/93	14466-1/93
275-1/93	5253-1/93	6948-1/93	8041-1/93	9337-1/93	10028-1/93	11975-1/92	13450-1/93	14014-1/92	14467-1/92
329-1/93	5259-1/93	6949-1/93	8049-1/93	9340-1/92	10033-1/92	12043-1/93	13456-1/93	14016-1/93	14468-1/93
398-1/92	5260-1/93	6986-1/93	8051-1/93	9386-1/93	10097-1/93	12071-1/93	13490-1/93	14028-1/93	14692-1/92
399-1/93	5357-1/93	6992-1/93	8086-1/93	9387-1/93	10109-1/93	12095-1/93	13499-1/91	14029-1/93	14756-1/93
4001-1/93	5358-1/93	7124-1/93	8095-1/93	9388-1/93	10128-1/93	12135-1/93	13507-1/93	14030-1/92	14824-1/93
4143-1/93	5360-1/93	7135-1/93	8098-1/93	9424-1/93	10129-1/93	12139-1/93	13508-1/93	14031-1/93	14832-1/93
4147-1/93	5373-1/93	7137-1/93	8104-1/93	9428-1/93	10141-1/93	12140-1/93	13531-1/93	14109-1/93	14875-1/92
4456-1/93	5390-1/91	7165-1/93	8114-1/93	9430-1/93	10170-1/93	12146-1/93	13570-1/93	14110-1/93	14876-1/92
4471-1/93	5392-1/93	7196-1/93	8125-1/93	9435-1/91	10216-1/93	12407-1/93	13573-1/93	14115-1/93	14897-1/92
4513-1/93	5395-1/93	7273-1/93	8166-1/93	9437-1/92	10270-1/93	12464-1/93	13574-1/93	14179-1/93	15035-1/93
4531-1/93	5396-1/92	7331-1/93	8212-1/93	9440-1/93	10281-1/93	12498-1/93	13623-1/93	14180-1/93	15037-1/93
4536-1/93	5397-1/93	7341-1/93	8226-1/93	9442-1/93	10282-1/93	12499-1/93	13626-1/93	14181-1/92	15257-1/93
4542-1/93	5399-1/93	7366-1/93	8320-1/93	9449-1/93	10287-1/93	12805-1/92	13629-1/93	14182-1/92	15267-1/93
4545-1/93	5402-1/93	7442-1/93	8728-1/93	9452-1/92	10293-1/93	12862-1/93	13630-1/93	14183-1/93	15371-1/91
4671-1/93	5506-1/93	7620-1/93	8730-1/93	9454-1/92	10312-1/93	12863-1/93	13657-1/93	14185-1/93	15376-1/91
4694-1/93	5524-1/92	7648-1/93	8733-1/93	9456-1/92	10316-1/93	12865-1/93	13659-1/91	14187-1/92	15378-1/91
4718-1/93	5569-1/93	7663-1/93	8799-1/93	9458-1/92	10319-1/93	12866-1/93	13660-1/93	14188-1/92	15381-1/93
4737-1/93	5570-1/93	7664-1/93	9083-1/91	9465-1/92	10353-1/93	12867-1/93	13661-1/93	14190-1/92	15382-1/91
4738-1/93	5573-1/93	7665-1/93	9088-1/93	9468-1/92	10505-1/93	12928-1/92	13663-1/93	14192-1/93	15385-1/91
4739-1/93	5578-1/93	7666-1/92	9089-1/93	9482-1/92	10687-1/93	13054-1/93	13698-1/93	14194-1/93	15386-1/93
4751-1/93	5672-1/93	7667-1/93	9092-1/93	9498-1/93	10691-1/93	13068-1/93	13711-1/93	14196-1/93	15394-1/91
4773-1/93	5673-1/93	7656-1/93	9093-1/93	9534-1/93	10711-1/93	13069-1/93	13722-1/93	14198-1/93	15395-1/91
4821-1/93	5840-1/92	7815-1/92	9111-1/93	9537-1/93	10713-1/93	13070-1/93	13765-1/93	14202-1/93	15396-1/93
4832-1/93	6085-1/93	7864-1/93	9122-1/93	9539-1/93	10827-1/93	13080-1/92	13812-1/93	14203-1/93	15398-1/93
4833-1/93	6115-1/93	7865-1/93	9159-1/93	9543-1/93	10974-1/91	13084-1/93	13825-1/93	14231-1/93	15403-1/91
4847-1/93	6132-1/92	7894-1/93	9160-1/93	9551-1/92	11114-1/93	13250-1/93	13827-1/93	14244-1/93	15439-1/93
4853-1/92	6160-1/93	7902-1/93	9161-1/93	9555-1/92	11230-1/93	13252-1/93	13828-1/93	14247-1/93	15444-1/93
4854-1/93	6219-1/93	7915-1/93	9185-1/93	9662-1/93	11235-1/93	13261-1/93	13829-1/93	14248-1/93	15450-1/93
4860-1/93	6271-1/93	7944-1/93	9186-1/93	9853-1/93	11238-1/93	13264-1/93	13833-1/93	14251-1/93	15497-1/93
4922-1/93	6394-1/93	7987-1/92	9187-1/93	9860-1/93	11304-1/93	13340-1/93	13843-1/93	14371-1/92	15501-1/93
4993-1/92	6405-1/93	7989-1/93	9203-1/93	9874-1/93	11370-1/93	13362-1/93	13877-1/93	14387-1/93	15541-1/93
5009-1/93	6553-1/93	7992-1/93	9226-1/93	9876-1/93	11411-1/93	13370-1/93	13943-1/93	14398-1/93	15599-1/93
5011-1/93									

The bonds referred to above will become due and payable at 101 % and 100 % respectively of their principal amount in Norwegian Kroner at the head office of Fiscal and Principal Paying Agent: Union Bank of Norway, Kirkegt. 18, 0107 Oslo, Norway, or at the option of the Holder, at the specified office of any Paying Agent. Bonds should be presented for redemption together with all coupons.

Oslo, 10. December 1993

Union Bank of Norway, Fiscal Agent

هكذا من الأصل

Laidlaw lays plans to sell stake in ADT

By Bernard Simon in Toronto

Laidlaw is issuing an innovative debt instrument that opens an avenue for the Ontario-based waste and transport services operator to dispose of its 24 per cent stake in ADT, the Bermuda-based security and vehicle auction group.

Laidlaw is ADT's largest single shareholder, but the two companies have had a fickle relationship since Laidlaw's former chief executive Mr Michael DeGroote showed his confidence in ADT chairman Mr Michael Ashcroft five years ago by investing in his company.

But Laidlaw has recently signalled its wish to dispose of the ADT stake, which it considers a non-core investment. Mr Ashcroft is due to step down as a Laidlaw director after next month's annual meeting.

The terms of the $280m debenture issue give Laidlaw the choice of converting the securities into ADT shares after five years, converting them into Laidlaw stock, or redeeming them for cash.

In the meantime, debenture holders will share any increase in ADT's share price to a maximum of $12.60, a 40 per cent premium on the existing share price of $9. Any appreciation above $12.60 would be exclusively for Laidlaw's benefit.

The crux of the issue's structure is that Laidlaw believes ADT shares are presently under-valued. It is confident that ADT will benefit from a refinancing package, and from bank covenants which preclude it moving away from its core businesses of security services and vehicle auctions.

"When they do appreciate, we want to share in that appreciation," an official said yesterday. Laidlaw presently values ADT on its books at $11.69 a share.

The issue does not prevent Laidlaw, however, from selling its ADT shares before the conversion date, if it receives an attractive offer.

The debentures, which are underwritten by a group of Canadian securities dealers, will be issued in two tranches, one denominated in Canadian dollars carrying an interest rate of 6.75 per cent, and the other in US dollars with a coupon of 6 per cent.

The maximum yield, if ADT shares climb to $12.60, would be 12 per cent a year.

Michael Ashcroft: chairman of ADT who is due to step down as a director of Laidlaw after next month's annual meeting

Scandinavian tale of the red and the black

Swedish banks needed government help to change colour, reports Hugh Carnegy

Bailing out Nordbanken and Gota Bank has cost the Swedish taxpayer a cool SKr81.6bn ($9.8bn) and the state has swallowed a further SKr110bn of their bad loans, but their merger, announced last week, was still presented as a success.

Two factors explain the paradox. First, the merger should mark the end of a series of emergency operations mounted over the past year to keep Sweden's banking system afloat. Second, there is general relief that the banking crisis proved neither as expensive nor as prolonged as feared only a few months ago.

"I think we have managed the crisis in the financial system rather well," said Mrs Anne Wibble, the tough finance minister not usually given to bouts of public self-congratulation.

"It could really have been a disaster, but the problems now seem to be becoming a thing of the past – touch wood."

The marriage of Nordbanken and Gota Bank, which will be preceded by the state's recapitalisation of Gota, is the last in a string of rescue acts performed by the government since a spate of loan losses plunged Sweden's banks into crisis last autumn. The two, which together will have a leading 24 per cent of Sweden's lending and deposit market, were the hardest hit. Both had to be wholly taken over the by the state.

In both cases, direct aid injections were not enough to keep them in business. The Bank Support Authority (BSA), established to manage the bank crisis, set up so-called "bad banks" to group the bulk of their bad loans. These will stay in state hands and could take as long as 15 years to unwind.

There is general relief that the banking crisis proved neither as expensive nor as prolonged as feared a few months ago

Bad loans worth SKr67bn were lifted out of Nordbanken into a new company called Securum – which required SKr35bn in state capital. A similar operation at Gota Bank will create Retriva, holding Gota loans worth SKr43bn and needing SKr7.3bn in capital.

In the meantime, the BSA has forked out SKr8bn to Swedbank and SKr2.5bn to Föreningsbank, bringing to SKr92.1bn the total amount of state aid committed to the banking system.

Some SKr60bn of this has a direct impact on the state budget, exacerbating a deficit which this year runs to more than 13 per cent of GNP. But the government's feeling of relief is understandable when what might have been is taken into account.

In May, when the BSA was officially inaugurated, the banking system was still in distress. An application for state aid was still outstanding from Skandinaviska Enskilda Banken, the leading commercial bank and a flagship of the Wallenberg family empire, which feared it would fall below the 8 per cent international capital adequacy standard.

Both Swedbank and Föreningsbank were also negotiating for further substantial assistance.

But they have all since withdrawn their applications, as the 25 per cent fall in the value of the Swedish krona and tumbling interest rates transformed their earning power over the summer.

Instead, S-E Banken, Swedbank and Svenska Handelsbanken have raised SKr16bn between them to rebuild their capital bases, mainly from share issues launched in a fast-rising stock market.

Moreover, the government anticipates the final net cost of its bank rescue operation may not be much more than SKr50bn, once it recoups the yet-to-be determined price Nordbanken will pay for Gota Bank, the proceeds of the planned privatisation of the merged bank and the sale of assets held by Securum and Retriva.

Instead of using the crisis to engineer greater competition, the two banks have had their balance sheets laundered by the state

The latter hold extensive property claims in Europe and beyond, making the Swedish state one of Europe's leading real estate owners.

There is a lingering question over the Nordbanken-Gota merger. Instead of using the bank crisis to engineer greater competition in the bank sector – and bring in foreign participation, as Mrs Wibble earlier advocated – the two worst-performing banks have had their balance sheets thoroughly laundered by the state and been set up in a powerful market position. Nordbanken is already back in profit and Gota is set to follow.

Criticism from rival banks has been muted, however. One Stockholm analyst said there was wide acceptance that no one would have benefited from the collapse of Nordbanken or Gota Bank, which could have triggered a general loss of confidence in an already weakened banking system.

Given a continued downward trend in interest rates and the prospect of a modest recovery in the economy next year, the banks appear set to leave the dramas of the past year behind them. All should show a profit in 1994 – a far cry from the red ink in 1992, when losses in the system amounted to SKr50bn.

But there is little room for complacency. BSA officials estimate the banks are still carrying problem loans worth as much as SKr100bn, leaving them perilously exposed to any unexpected upturn in interest rates.

The government says it is keeping in place a blanket guarantee to honour bank commitments issued at the beginning of the crisis – just in case of more trouble.

Drexel Burnham rump sold to Atlanta group

By Patrick Harverson in New York

The DBL Liquidating Trust, handling the disposal of what is left of the defunct investment bank Drexel Burnham Lambert, announced yesterday it was selling New Street Capital, the successor firm to Drexel, to an Atlanta investment group.

It is also liquidating its portfolio of mostly junk bond securities.

The Trust said it expected to realise more than $600m from the sale of the Drexel assets, of which $209m will come from Green Capital, the Atlanta firm buying the on-going business of New Street, a small merchant bank with 24 staff.

The remainder will come from the sale of New Street's securities portfolio, which consists primarily of junk bonds.

The proceeds will be used to pay the holders of Drexel warrants, most of whom are former Drexel shareholders and who will receive a total of about $21m, and the investment bank's creditors.

A spokesman for the Trust said it had yet to be decided how the funds from the sale of New Street securities will be distributed among Drexel's creditors.

The disposals represent virtually the final chapter in the story of Drexel.

Under the junk bond king Mr Michael Milken, the firm became one of Wall Street's premier investment banks during the 1980s, before the collapse of the junk bond market dragged it into bankruptcy.

Mr Milken served 22 months in a federal prison for violations of securities laws.

After the deals are concluded by the DBL Liquidating Trust, all that will remain of Drexel Burnham Lambert will be a portfolio of illiquid high-yield securities, which is estimated to be worth no more than $30m.

US companies rev up for multimedia super-highways

By Louise Kehoe in San Francisco

US vice-president Al Gore yesterday praised the formation of a "cross-industry" collaborative group to accelerate development of "information super-highways" – high-speed digital networks that will link businesses and homes throughout the US.

Twenty-eight companies, including AT&T, Apple Computer, Citicorp, BellSouth, Digital Equipment, IBM, Intel, Hewlett-Packard, and Cable Laboratories, the research arm of the cable industry, yesterday announced the formation of the Cross Industry Working Team (XIWT), to "promote and accelerate" an advanced information network.

The national information infrastructure (NII) is a initiative supported by the Clinton administration and a broad range of US industries.

"The NII will provide the foundation for a national transformation to an information-based society, a key element for the US to sustain leadership in the world economy," said Mr Gore, a long-time proponent of information super-highways.

"It is gratifying to see XIWT bringing together many of the most knowledgeable technologists in the country to help create a technical vision for the NII. The administration intends to work closely with the XIWT participants in making the NII a reality."

Bellcore, the telecommunications industry-supported research laboratory, yesterday said it would work separately with several companies to develop and demonstrate prototype technologies for the NII.

Bellcore has created a "Collaboratory on Information Infrastructure" to develop prototype software that will make it practical for all people to navigate these networks. The companies involved in Bellcore's Collaboratory include television broadcasters, computer manufacturers and the telephone industry.

Lanny Smoot, executive director of the Collaboratory, said: "The technologies we will explore could one day lead to the availability of a vast array of services – electronic shopping malls, collaborative electronic education and distance learning, access to multimedia information, electronic libraries, multimedia messaging, multimedia games, and interactive multimedia entertainment."

هكذا من الاصل

Samsung sees sharp earnings rise

By John Burton in Seoul

South Korea's three main electronics groups – Samsung, Goldstar and Daewoo – yesterday predicted significant increases in earnings and sales for 1993.

Samsung Electronics, the leading group, estimated net profits at Won150bn ($185m), up 107 per cent. Sales will rise by 38 per cent to Won8,100bn, it said.

The rapid profits expansion is primarily due to Samsung's semiconductor division, which is the world's largest supplier of D-ram memory chips. Strong global demand for D-ram chips and firm prices have boosted earnings margins this year.

Goldstar estimates that net profits will grow by 126 per cent to Won60bn for 1993. Sales will increase by 16 per cent to Won4,400bn.

Growth was largely due to exports in consumer products, which have been aided by the Korean won's depreciation against the Japanese yen and improved its competitiveness against Japanese electronics manufacturers.

Daewoo Electronics expects that net profits will grow by 26.5 per cent to Won21bn, while sales will rise by 19 per cent to Won2,050bn.

Daewoo has benefited from several popular products in the domestic market, including improved versions of washing machines and tvs, its strongest product lines.

● South Korea will become the world's sixth largest motor vehicle producer this year and is expected to become the fifth biggest within the next two or three years.

Korea will produce 2.04m vehicles in 1993, overtaking Spain for sixth place, according to the Kia Economic Research Institute, which is affiliated with the country's second largest car manufacturer.

Production of motor vehicles will rise 17.8 per cent this year, the sharpest increase among the the 10 main car producing countries, and exports will grow by 37 per cent due to the Korean won's depreciation against the Japanese yen.

Korea is likely to replace Canada as the world's fifth leading car producer within the next several years.

"Most car factories in Canada are subsidiaries of foreign carmakers and its domestic market is nearly full. Moreover, with the North American Free Trade Agreement, some factories in Canada are expected to move to Mexico, where the labour is cheaper.

MAS share trading halted as speculation of state sale mounts

By Kieran Cooke in Singapore

Speculation about the future of Malaysia Airlines (MAS), increased yesterday with indications that the government is about to sell part of its remaining stake in the airline in a deal worth up to M$2bn ($770m).

Share dealings on the Kuala Lumpur stock market in both MAS and Malaysia Helicopter Services (MHS), a small company specialising in support services for the oil and gas industry, have been suspended.

It is widely believed that MHS will be used as the vehicle for the sale of a substantial block of government held MAS shares.

After a partial privatisation in 1985, MAS is now 42 per cent owned by Bank Negara, the Malaysian central bank, and 5 per cent each by the governments in the east Malaysian states of Sabah and Sarawak.

The Brunei government holds another 10 per cent.

Whether Bank Negara will sell all its MAS shares is still not clear but there are reports of a complex share swap. Analysts say the government is anxious to capitalise on buoyant stock market activity to rid itself of its holding in MAS.

The Malaysian state-controlled airline has been flying through financial turbulence. It announced pre-tax profits for the six months ended September, of M$6.4m ($2.5m), a 96 per cent drop compared to the same period last year.

Analysts say MAS is paying the price for an ambitious fleet expansion programme launched three years ago just as the worldwide airline industry was heading into recession.

In the course of its present five-year plan to 1996-97, MAS has orders for 72 aircraft costing a total of M$10.6bn.

MHS is controlled by Mr Tajudin Ramli, a leading Malaysian businessmen. Mr Tajudin's main listed company is Technology Resources Industries, a group mainly involved in telecommunications.

Mr Tajudin recently announced that through MHS he was taking a 20 per cent stake in World Airways, the US charter carrier.

While the Malaysian government appears anxious to make MAS more competitive and less dependent on state funding, analysts feel that the state will ensure it maintains considerable influence over any new fully privatised entity.

One of Mr Tajudin's backers is believed to be Mr Daim Zaiddin, one of Malaysia's richest businessmen.

Demand for Taiwanese insurer issue

The Taiwan government's offer of 18m shares of Chung Kuo Insurance was fully subscribed, Reuter reports from Taipei.

Underwriter Chiao Tung Bank said the shares, equal to 15 per cent of the company's stock, were priced at T$54 a share and would raise T$972m (US$36m). More than 1m applications were received, with 9,000 applicants awarded 2,000 shares each, said Chiao Tung.

The Taiwan government eventually plans to give up its majority stake in the group. Chung Kuo is one of three state-owned companies, along with Chiao Tung and Farmers Bank of China, that applied to list last year but postponed the move because of a weak stock market.

A domestic and overseas flotation of shares in China Steel is planned for early next year.

Germans launch blitz on British palate

David Waller reports on expansion plans of Rewe, the food retailer

A German businessman who describes himself as a lover of the UK is setting out on a personal mission – to corrupt the eating habits of the average British family.

"We helped to corrupt the food culture of Germany," says Mr Hans Reischl, the man who has built up the privately-owned Rewe group into Germany's largest food retailer, "and we are hoping to do the same in the UK."

Mr Reischl, who wears English-made shoes and spends two weeks of each year on holiday in the UK, said in a recent interview at the Rewe group's Cologne headquarters that the quality of food in mainstream British supermarkets was too high.

"I want to give the British consumer more choice about where he or she goes shopping," Mr Reischl declared. "We want to bring greater competition to the UK market. This will inevitably lead to a deterioration of your food-culture."

The process has already begun: Following the purchase of a 28 per cent stake in Budgens, the UK food retailer, Rewe has opened the first eight or nine stores in a planned chain of at least 40 discount food stores.

Modelled on the down-market format which has taken Rewe's sales in Germany to DM33bn ($19.5bn) last year, these stores offer 1,200 to 1,300 items of stock compared to 6,000 in a normal Budgens store.

Prices will be at least 10 per cent lower than in normal food supermarkets.

"There is no limit to our expansion plans," said Mr Reischl. "If we get the acceptance we expect, there will be a snowball effect throughout the country. We plan to open one or two stores a month next year."

Mr Reischl confesses an enormous personal admiration for the traditional UK supermarket groups.

On his visits, he takes pleasure in walking around the Sainsbury store nearest to his hotel. He says he soon finds himself rapt in wonder at the range and quality of food on offer.

"Every now and again we have tried to introduce up-market food to our German stores, but the German housewife just won't buy filleted salmon," he laments. "Look at the sandwiches you can buy in an English supermarket – there is no way we could sell them at that kind of price to a German consumer."

He says poorer consumers get a raw deal in UK supermarkets, but philanthropy – bringing cheap food to the poor – plays only a limited role in his thinking. More important is the profit motive.

Rewe, like a number of other German retailing groups to have started opening discount stores in the UK, has its eye on the wide profit margins generated by the big four UK supermarket groups.

UK supermarkets earn up to 7 per cent on sales which compares with 1 per cent earned by the Rewe group. This gap in margins represents a wealth of opportunity for the German discounters.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 14.12.93: Pool purchase price £/MWh	Final Prices for Trading on 15.11.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.20	19.07	19.07
0100	24.64	24.24	26.19
0130	24.64	24.24	26.19
0200	24.64	24.24	26.19
0230	24.64	24.24	26.19
0300	24.64	24.24	26.19
0330	24.64	24.24	26.19
0400	24.64	24.24	26.19
0430	24.19	18.24	18.24
0500	18.17	18.22	18.22
0530	22.92	18.24	18.24
0600	22.92	18.24	18.24
0630	23.24	18.17	18.17
0700	23.24	24.29	30.23
0730	27.04	27.23	29.17
0800	29.61	27.23	29.17
0830	29.92	27.23	29.19
0900	29.92	27.23	29.19
0930	29.92	31.67	33.62
1000	27.04	31.67	33.62
1030	27.04	31.11	31.11
1100	24.59	27.23	29.16
1130	24.59	28.71	30.66
1200	24.59	26.19	28.14
1230	24.59	26.19	28.14
1300	25.00	28.71	30.66
1330	25.00	28.71	30.66
1400	25.00	28.71	30.66
1430	25.00	24.65	26.60
1500	25.00	24.65	26.60
1530	25.00	24.65	26.60
1600	26.20	24.78	26.75
1630	42.10	38.58	43.31
1700	50.80	47.65	52.79
1730	51.21	55.48	60.38
1800	44.42	50.21	54.34
1830	38.81	34.39	36.91
1900	28.57	29.65	31.73
1930	25.38	28.47	30.48
2000	25.38	26.20	28.18
2030	24.18	25.23	27.18
2100	23.35	25.23	27.18
2130	23.35	24.89	26.84
2200	23.35	24.89	26.84
2230	23.35	24.89	26.84
2300	18.30	24.89	26.84
2330	18.11	18.24	18.24
2400	18.09	18.18	18.18

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of these revisions and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8:30am and 5:15pm Monday to Friday.
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Gilts lifted by producer prices and rate cut hopes

By Sara Webb in London and Frank McGurty in New York

UK government bonds continued their inexorable rise yesterday, helped by the release of favourable economic data and the expectation that inflation will stay low, possibly paving the way for a further cut in the base rate.

The biggest gains were seen in the index-linked sector, where long-dated issues rose over a point. Dealers said the sharp rise reflected the fact that the index-linked sector had underperformed the rest of the market recently and was simply "catching up", encouraged by the release of some strong buy recommendations from a couple of gilt-edged specialists.

Among conventional stocks, the longer-dated issues performed well, with gains of over half a point on the day, spurred on by the producer price data.

Producer output prices were unchanged in November compared with October, while the annual rate fell to 3.6 per cent from 4 per cent. Input prices showed a monthly increase of 1.2 per cent, but the yearly rate declined by 1.8 per cent.

While the figures provided cheer for the gilts market by suggesting that inflationary pressures remain subdued, dealers said the key focus of the market is the release tomorrow of the Retail Price Index. Market participants expect underlying inflation to be unchanged or slightly lower for November.

■ Gatt and the Bundesbank provided the two main talking points in the European government bond markets.

Most market participants are optimistic about the prospects of an agreement on Gatt by the December 15 deadline. In addition, there is plenty of speculation that the Bundesbank may cut its official interest rates at Thursday's council meeting.

German government bond futures reached a new high on reasonably good volume, with dealers saying the market was buoyed by hopes of a cut in the discount and Lombard interest rates this Thursday.

GOVERNMENT BONDS

Even though the repo rate was fixed at 6.00 per cent until January 5, some dealers said there was a chance of a 25–50 basis point cut in headline rates at this week's council meeting.

In addition, the market will be closely watching the Bundesbank's M3 target announcement.

The bund futures contract, which opened at 100.76, hit a new all-time high of 100.95 before slipping back to 100.86 by late afternoon.

■ Among the high-yielding European markets, Italy ended nearly half a point higher, helped by a more settled political background, expectations that the 1994 budget will be approved, and hopes of a possible cut in official interest rates before Christmas.

However, some dealers said that the thin, pre-holiday volume meant that the market's move was somewhat exaggerated.

Spanish government bonds closed lower, mainly on domestic selling.

■ Japanese government bonds ended firmer in the cash market as market participants shrugged off last Friday's news of 0.5 per cent growth in third-quarter GDP and chose instead to focus on the gloomy quarterly Tankan survey from the Bank of Japan.

The yield on the benchmark No 157 JGB opened at 3.125 per cent and ended at 3.12 per cent, having traded at 3.1 per cent (corresponding to the lowest benchmark yield in over six years).

The market had expected the third-quarter GDP figures to show a decline rather than a rise.

However, dealers said that the market paid more attention to the Tankan report, which helped support speculation that the Bank of Japan may lower interest rates in order to stimulate the economy.

■ Longer-dated US Treasury bonds posted moderate losses yesterday morning amid a mixed reading on commodity prices, but notes with shorter maturities edged ahead.

By midday, the benchmark 30-year government bond was ⅜ lower at 100⅛, with the yield climbing by about 3 basis points to 6.231 per cent. At the short end of the market, the two-year note added $\frac{1}{32}$ to 100$\frac{1}{16}$, yielding 4.199 per cent.

Trading was light and mostly directionless. Early on, the inflation-sensitive long bond, which fell late on Friday despite a tame reading on November consumer prices, showed further weakness in the face of a sharp rise in Comex gold prices and a modest increase in the Commodity Research Bureau index.

The 30-year issue remained anchored in negative territory throughout the morning, even though Nymex January crude oil futures – down 37 cents a barrel by mid-day – offered a more positive picture. The 21-commodity CRB index later reversed direction, to show a 0.37 decline to 224.43 by 12am, but the long bond still would not budge.

Most traders were staying on the sidelines, as the market looked ahead to November retail sales data, due out today. Forecasts centre on a 0.4 per cent increase, after a 1.5 per cent jump the previous month.

Smith New Court in Mid-250 move

By Tracy Corrigan

Smith New Court, the UK equities market-maker, has joined OMLX, the London Securities and Derivatives Exchange, with a view to becoming a market-maker in the exchange's planned FT-SE Mid-250 derivative contracts.

The London Stock Exchange last month awarded licences to introduce derivatives on the index of medium-sized UK companies to both OMLX and the London International Financial Futures & Options Exchange (Liffe), which already lists futures and options on the FT-SE 100.

Smith New Court already trades Mid-250 futures over-the-counter, according to Mr Lenny Barshack, its director of derivatives, who added that the firm was keen to support this and other contracts on sectors of the UK stock market.

OMLX plans to launch the new derivative contracts in the first quarter of 1994, according to chief executive Mr Lynton Jones, and is considering appointing two tiers of market-makers, with different levels of obligations.

This issue is currently being examined by the Mid-250 Steering Group, of which Smith New Court is a member. Liffe has not yet set a launch date for the new instruments.

Fisons offers to buy back or exchange outstanding issue

By Antonia Sharpe

Fisons, the UK pharmaceutical company which yesterday announced a radical restructuring plan, sought to protect investor confidence by offering to buy back its outstanding bonds or exchange them for new bonds with a shorter maturity.

In October, Fisons made its first public bond offering since 1986 when it raised £100m through an offering of 10-year Eurobonds with a coupon of 8 per cent. At the launch, the bonds were priced to yield 120 basis points over the 8 per cent UK government bond (gilt) due 2003.

At the time, the yield spread was judged to be fair in view of the company's lack of a long-term credit rating and its poor equity performance. However, the bonds did not perform well in the secondary market and their yield spread over gilts widened gradually. By last Friday, the bonds were yielding 145 basis points over 10-year gilts.

INTERNATIONAL BONDS

JP Morgan, which lead-managed the deal for Fisons, said that holders of the bonds could sell them outright at Friday's closing level or exchange them for a new offering of five-year bonds with a coupon of around 7.5 per cent on a one-for-one basis.

The new bonds will be priced to yield around 150 basis points over the 6 per cent gilt due 1999 on the first day of the exchange period, which is expected to take place in the new year and last for four business days.

"Fisons is concerned about its standing with the public investor base and as a result is taking responsible action in order to ensure an orderly market," a JP Morgan official said.

Fisons's market stabilisation operation appeared to have been successful yesterday. Although JP Morgan said it had bought back some bonds, there no reports of panic selling and the spread on the bonds remained at 145 basis points.

Syndicate managers said that most investors appeared to be waiting for the dust to settle before deciding whether to sell their bonds or exchange them for the shorter maturity.

The news of the restructuring prompted Standard & Poor's and Moody's, the international rating agencies, to place Fisons' commercial paper ratings, of A-1 and Prime-1 respectively, under review for a possible downgrade.

Elsewhere, the Australian subsidiary of Toronto Dominion Bank raised C$100m through an offering of five-year Eurobonds. The proceeds were thought to have been swapped into Australian dollars.

An official at lead manager ScotiaMcLeod said that the issue would inject fresh liquidity into the five-year area of the Euro-Canadian dollar sector which currently appeals to retail investors in the Benelux region.

The bonds were priced to yield 42 basis points over the new five-year Canadian Treasury benchmark and when they were freed to trade the spread remained unchanged.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
Sudwestdeutsche LB Cp.Mkts.‡	175	[illegible]	99.70R	Jan.1999	0.25R	-	Morgan Stanley Fin.
YEN							
Mitsubishi Oil Co.(b)	10bn	4.20	100.25R	Dec.2003	0.30R	-	Mitsubishi Finance Intl.
CANADIAN DOLLARS							
Toronto Dominion Australia(b)	100	6.25	99.342R	Dec.1998	0.275R	+42 (5¾%-98)	Scotia McLeod
SWISS FRANCS							
City of Vienna(c)✱	200	4.00	101.90	Dec.1996	-	-	Merrill Lynch Cap.Mkts.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ✱Private placement. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon: 6.125% for 1st year and 24.875% - 4 x 5-year DM swap rate (minimum zero, fixing once only) thereafter. b) Short 1st coupon. c) Fungible with the outstanding SFr200m. Plus 10 days accrued interest.

Regulator bans carry-forward deals in India

The Securities and Exchange Board of India (SEBI), acting to dampen a sharp rise in stock prices, is banning carry-forward deals at four major exchanges, Reuter reports from Bombay.

The SEBI said the ban would apply to the Bombay, Calcutta, Ahmedabad and Delhi stock markets. Brokers have been given until the middle of January to liquidate their carry-forward positions.

The Bombay 30-share index has risen by 32 per cent since the start of November. The SEBI ordered brokers to reduce their forward positions by 50 per cent by the end of the current account period, which ends on January 6.

The remaining forward positions will have to be liquidated during the following account period ending in mid-January.

Brokers said the ban showed that the government was still haunted by last year's $1.28bn securities scandal.

RBC Dominion profits up 39% to C$101.5m

By Robert Gibbens in Montreal

RBC Dominion Securities, Canada's biggest securities firm, which is 74 per cent owned by the Royal Bank of Canada, posted a record profit of C$101.5m for the year to September.

Profit jumped 39 per cent and revenues 18.6 per cent to C$820m. Return on equity reached 40 per cent and total assets at year-end C$14bn, up from C$8.9bn last year. Trading commissions rose 41 per cent and investment banking revenues 29 per cent.

RBC managed or co-managed C$27.6bn of new issues during the year, up from C$20.5bn in 1991-92.

The company warns that the favourable environment is not likely to continue. "Often periods of intense prosperity in financial markets come to an abrupt end for reasons completely unforeseen even by the most experienced observers."

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/02	121.4300	-0.150	6.74	6.75	6.88
Belgium		9.000	03/03	116.2500	+0.150	6.59	6.78	6.94
Canada *		7.500	12/03	105.2000	-0.550	6.77	6.74	6.84
Denmark		8.000	05/03	112.4200	+0.070	6.21	[illegible]	6.40
France	BTAN	[illegible]	05/98	109.6400	-0.010	5.18	6.06	6.09
	OAT	6.750	10/03	106.7800	+0.180	[illegible]	6.03	6.05
Germany		6.000	09/03	101.[illegible]	+0.110	5.73	[illegible]	[illegible]
Italy		9.000	10/03	101.7700	+0.270	8.72†	9.05	9.04
Japan	No 119	4.800	06/99	111.3190	+0.090	2.47	[illegible]	2.67
	No 157	4.500	06/03	109.6790	+0.310	3.15	[illegible]	3.54
Netherlands		6.500	04/03	105.7000	+0.240	5.69	5.81	5.90
Spain		10.500	10/03	114.2700	-0.060	8.32	[illegible]	8.60
UK Gilts		[illegible]	01/98	114-23	+7/32	5.62	5.73	6.19
		8.000	06/03	111-27	[illegible]	[illegible]	6.41	6.78
		9.000	10/08	122-31	+17/32	6.56	6.73	7.11
US Treasury *		5.750	08/03	100-00	-16/32	5.75	5.74	5.66
		6.250	08/23	100-03	-31/32	6.24	6.21	6.17
ECU (French Govt)		6.000	04/03	113.6000	+0.460	[illegible]	6.27	6.42

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	125.26	125.36	-0.06	[illegible]	[illegible]	34,813	78,861
Mar	129.40	129.54	+0.04	129.60	129.30	144,744	121,483
Jun	128.82	129.00	[illegible]	[illegible]	128.82	801	3,147

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
125	-	4.55	-	-	0.10	-
126	-	-	-	0.01	0.19	-
127	-	-	-	0.03	0.31	-
128	1.57	[illegible]	-	0.06	0.50	-
129	0.77	1.37	-	0.22	0.81	-
130	0.24	[illegible]	-	-	1.32	-

Est. vol. total, Calls 8,440 Puts 17,803. Previous day's open int., Calls 197,946 Puts 181,134.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.76	100.85	+0.16	[illegible]	100.66	71258	154973
Jun	100.73	100.81	+0.15	100.73	100.73	2	1080

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10050	0.91	1.27	0.56	0.96
10100	[illegible]	1.01	[illegible]	1.20
10150	0.45	0.79	1.10	1.48

Est. vol. total, Calls 8476 Puts 4129. Previous day's open int., Calls 155626 Puts 81404

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.47	103.52	+0.07	103.54	103.44	661	10430

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116.10	116.43	+0.53	116.68	116.00	23785	76015
Jun	116.30	116.50	+0.50	116.30	116.30	10	153

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11600	2.08	3.07	1.65	2.57
11650	1.82	2.81	[illegible]	2.81
11700	1.57	2.58	2.14	3.06

Est. vol. total, Calls 2011 Puts 3574. Previous day's open int., Calls 30184 Puts 30750

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	104.00	[illegible]	-0.33	104.05	103.52	19,223	21,237
Mar	104.15	104.04	-0.28	104.25	[illegible]	26,046	74,039
Jun	-	104.00	-	-	-	-	50

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	[illegible]	119-17	+0-13	119-15	119-02	1138	10187
Mar	118-13	118-24	+0-13	119-00	118-09	41363	134691
Jun		118-01	+0-12			0	69

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
118	1-52	2-12	1-04	2-10
119	1-17	1-46	1-33	[illegible]
120	0-55	1-22	2-07	3-20

Est. vol. total, Calls 4965 Puts 5978. Previous day's open int., Calls 56378 Puts 29922

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	121.66	121.34	+0.14	121.86	121.64	2,925	6,958
Mar	121.12	121.24	+0.12	121.26	121.04	2,791	10,029

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	116-14	116-08	-0.15	116-15	116-00	12,854	58,676
Mar	115-07	115-02	-0.15	115-08	114-24	379,841	238,334
Jun	-	113-30	[illegible]	114-03	113-24	670	9,788
Sep	113-00	113-01	-0.12	113-04	112-27	[illegible]	14,222

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	116.82			116.82	116.75	576	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Mon Dec 13	Day's change %	Fri Dec 10	Accrued interest	xd adj. ytd
1 Up to 5 years (25)	130.81	+0.02	131.17	2.37	10.43
2 5-15 years (22)	161.[illegible]	+0.11	161.71	1.96	12.82
3 Over 15 years (9)	189.17	+0.38	188.50	2.55	11.[illegible]
4 Irredeemables (6)	224.34	+0.20	223.89	1.61	13.71
5 All stocks (61)	157.23	+0.13	157.17	2.28	11.72

	Low coupon yield Dec 13	Dec 10	Yr. ago	Medium coupon yield Dec 13	Dec 10	Yr. ago	High coupon yield Dec 13	Dec 10	Yr. ago
5 yrs	5.63	5.62	[illegible]	5.86	[illegible]	7.59	5.96	5.96	[illegible]
15 yrs	6.45	6.49	[illegible]	6.57	6.60	8.66	6.78	6.80	[illegible]
20 yrs	6.55	6.56	8.47	6.59	6.62	8.82	6.80	6.81	9.03
Irred.†	6.69	6.71	8.90						

Index-linked	Mon Dec 13	Day's change %	Fri Dec 10	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	192.31	-0.05	192.37	0.98	4.28
7 Over 5 years (11)	191.49	+0.58	190.[illegible]	[illegible]	4.78
8 All stocks (13)	190.64	+0.52	190.06	0.97	4.67

	Inflation 5% Dec 13	Dec 10	Yr. ago	Inflation 10% Dec 13	Dec 10	Yr. ago
Up to 5 yrs	2.01	2.00	2.51	1.82	1.21	1.84
Over 5 yrs	2.97	3.01	3.93	2.81	2.85	3.73

Debentures and Loans	Mon Dec 13	Day's change %	Fri Dec 10	Accrued interest	xd adj. ytd
9 Debs & Loans (65)	150.44	+0.17	150.60	1.79	11.16

	5 year yield Dec 13	Dec 10	Yr. ago	15 year yield Dec 13	Dec 10	Yr. ago	25 year yield Dec 13	Dec 10	Yr. ago
9 Debs & Loans	7.29	7.29	8.96	7.61	7.62	9.90	7.74	7.75	10.10

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 13	Dec 10	Dec 9	Dec 8	Dec 7	Yr ago	High*	Low*
Govt. Secs. (UK)	106.68	106.62	106.31	105.94	105.55	93.71	106.68	93.28
Fixed Interest	129.96	129.82	129.49	128.78	128.55	109.01	129.96	108.67

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 129.96 (13/12/93), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6
Gilt Edged bargains	102.4	108.2	122.7	107.6	104.0
5-day average	109.0	107.6	107.2	110.4	110.0

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

UK GILTS PRICES

[illegible]

■ "Tap" stock. ‡‡ Tax-free to non-residents on application. £ Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

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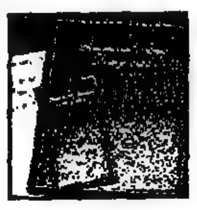

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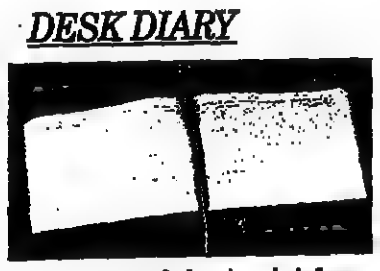

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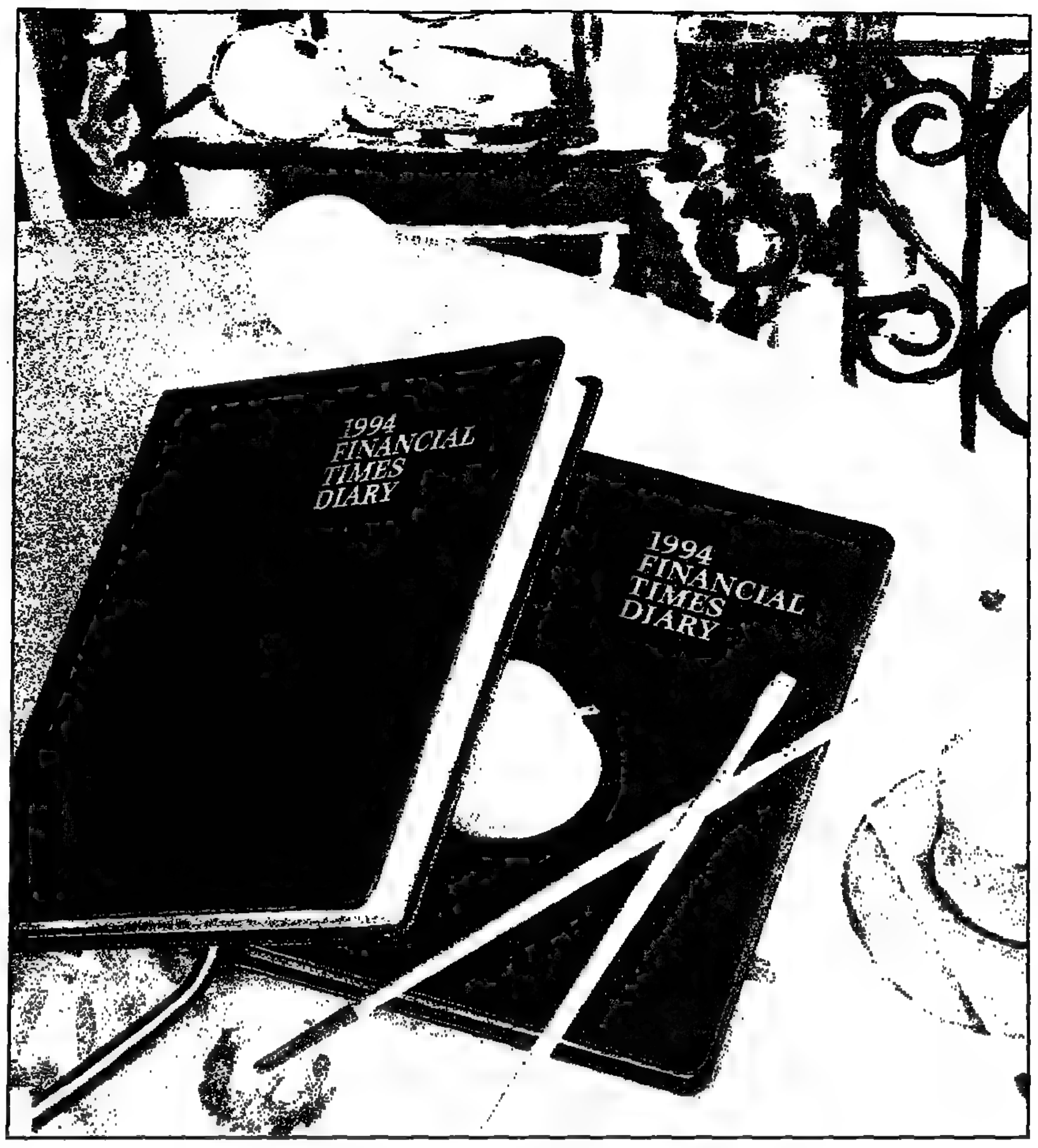

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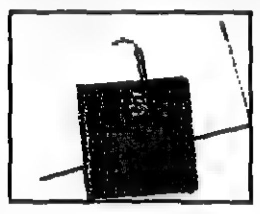

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COMPANY NEWS: UK

Greene King below expectations at £9.6m

By Philip Rawstorne

Depressed conditions in the East Anglian beer market hit Greene King's first half pre-tax profits which, on an adjusted basis, rose 1 per cent to £9.6m.

The result was below market expectations and the shares lost 15p to close at 553p.

The company sells two thirds of its beer volumes in East Anglia, but managed to restrict its sales decline to 1 per cent against a reduction in overall market demand of 7 per cent. "The region is the most depressed in the country," said Mr Simon Redman, chairman.

"There is little evidence of a pick-up there, though in our new trading areas further south there are now some signs of recovery."

On an FRS 3 basis, pre-tax profits for the six months to October 31 rose 41 per cent to £9.5m, but the figure was distorted by exceptional costs of £2.8m last year for the bid for Morland, the Thames Valley-based brewer.

Mr Redman said that no further move against Morland, in which Greene King retains a 29 per cent stake, was imminent. "We shall continue to keep our options open," he added.

Ashley Ashwood

Simon Redman: little evidence of any pick-up in East Anglia but further south there are now some signs of recovery

Trading profit of £12.7m was 5 per cent lower on turnover ahead 4 per cent at £70.2m. Spending on brand advertising increased from £1m to £1.6m.

Apart from difficult trading in its home region, the company faced competitive discounting in the free pub trade. Profits reflected a slight reverse in volumes and margins; but bad debt provisions of £620,000 were in line with last year.

Volumes in the take-home market, which accounts for 3 per cent of sales, rose 6 per cent.

Managed pubs, increased to 194 with the acquisition in September of 44 outlets from Bass, improved margins and raised drinks sales 13 per cent and food sales 57 per cent. Food's share of total sales grew from 11 per cent to 13 per cent.

Profits of the company's 676 tenanted pubs were marginally higher in spite of a decline in beer volumes.

Capital spending on pub acquisitions totalled £19m and a further £3.16m was spent on pub improvements, a third of it on the tenanted estate.

Borrowings at the half year end amounted to £99.8m and gearing rose from 34 per cent to 42 per cent.

Adjusted earnings per share came out at 16.4p (16.3p), and the interim dividend is raised 4 per cent to 3.85p (3.7p).

Yorkshire-Tyne Tees set to contain deficit

By Raymond Snoddy

Shares of Yorkshire-Tyne Tees, the lossmaking ITV company, rose by 2p to 163p despite the delay in announcing year-end results and the decision to pass the final dividend.

The company also confirmed yesterday that pre-tax losses for the year to September "will not exceed £9.5m".

The share price was almost certainly held up by the fact that the forecast losses were not as large as some analysts feared, and by the interest from London Weekend Television in an agreed takeover.

Mr Ward Thomas, chairman of Yorkshire-Tyne Tees – a company in which Pearson, owner of the Financial Times, has a significant stake – conceded yesterday that "everybody is talking to everybody", and that included LWT and Yorkshire.

In fact, the Yorkshire board on Friday gave LWT permission to begin due diligence on an agreed bid.

LWT, which is the subject of a hostile takeover bid from Granada – the television, rental and leisure group, is expected to publish a defence document this week.

The company will outline the "quartet" theory in the hope of finding an alternative to being swallowed up by Granada.

Under the proposals, LWT would take over Yorkshire and Anglia Television would take over Tyne Tees. Under proposed government ownership changes one company can own two licences but no more.

The hope would be that eventually further liberalisation of ownership rules will come, allowing a grand alliance of LWT, Yorkshire, Anglia and Tyne Tees. The shares of those involved changed remarkably little yesterday, with LWT down 4p at 588p and Anglia down 2p at 418p.

Mr Thomas said yesterday he thought the quartet theory "makes a lot of sense" in that it would balance the growing dominance of Carlton Communications, which has made an agreed bid for Central, valuing the Midlands ITV company at more than £800m.

Mr Gerry Robinson, chief executive of Granada, insists that the offer for LWT – worth more than £600m – is the "cleanest and clearest" and above all is "available now". All the signs are that Granada is considering a modest "sweetener" to clinch the LWT deal.

Yorkshire-Tyne Tees promised yesterday to announce audited year-end results by the end of January. The delay came because negotiations with customers on the repayment of oversold advertising time had not been completed.

The final pre-tax loss is likely to be about £8.5m rather than the contingent figure of £9.5m, and it is likely that most of the problems of Yorkshire-Tyne Tees have been dealt with in the 1992-93 accounts, with hopes of a return to profit in the current financial year.

Industry speculation suggests that Yorkshire-Tyne Tees has had disappointing advertising sales in November and December.

See Lex

Losses approaching £15m expected from Chrysalis

By Michael Skapinker, Leisure Industries Correspondent

Chrysalis, the music and entertainment group, is expected to announce on Friday that it incurred losses of nearly £15m in the year to end-August.

The cost of winding down MAM Leisure, the amusement machine subsidiary, is thought to account for more than £10m of the deficit. About £4.5m of losses came from operating activities, of which about £1m is thought to have been lost in continuing businesses.

With the disposal of the amusement machine subsidiary, Chrysalis is now concentrating on music, visual entertainment, radio and its Lasgo export business.

Last August, the group officially re-entered the music business, nearly two years after selling its recording interests to Thorn EMI.

Its new label, Echo, is headed by Mr Steve Lewis, former managing director of Virgin Music.

Last September, Chrysalis announced that Pony Canyon, the music division of Fujisankei, the Japanese communications group, had agreed to buy a 25.1 per cent stake in Echo for $17.5m (£11.7m).

Rising house sales behind 83% surge to £12.6m at Berkeley

By Andrew Taylor, Construction Correspondent

Berkeley Group, one of Britain's most successful housebuilders during the recession, yesterday announced an 83 per cent rise in pre-tax profits to £12.6m during the six months to October 31.

The company's shares improved 20p to 480p on the announcement.

Turnover rose 37 per cent to £103.9m as the number of homes sold increased from 468 to 656. Earnings per share improved 50 per cent to 11p and the interim dividend is lifted from 1.65p to 1.9p.

The company said it had cash in hand of £41.7m at the end of October following its successful £44.1m rights issue in the spring. That compared with shareholders funds of £187.4m.

Mr Tony Pidgley, managing director, said there had been a modest recovery in the housing market since Britain left the ERM in September last year.

"House prices have recovered by 6 or 7 per cent, the 10 per cent they lost when we left the ERM," said Mr Pidgley. "Demand from purchasers also has increased. Gross margins as a result have risen to about 20 per cent. The prospects for housing are the best they have been for five years."

The rights issue cash is to be used to purchase land for housebuilding. At the end of October the company owned 4,000 plots with planning permission with a further 1,000 plots which it expected to buy.

Many of these sites were acquired at the bottom of the recession, two years ago, when land prices were cheaper. Mr Pidgley estimated that land prices had risen on average by 30 to 40 per cent during the past 12 months.

He said: "Some of the prices that have been paid have been too high in my estimation. We are pleased that we bought early and therefore are under no pressure to pay these prices."

He expected house prices to rise by no more than in line with general inflation during the next two years – "maybe no more than two or three per cent a year".

The company was also pleased with the timing of its £130m commercial property joint venture, formed in March 1991 with Saad Investments. This was sitting on a useful profit following property price rises this year.

Development joint ventures

Berkeley Group yesterday announced details of two new joint ventures.

It has been appointed by Thames Water to build an £80m development at its redundant Barn Elms reservoir in south-west London. The scheme includes a 110 acre wildfowl reserve as well as provision for 300 homes.

Berkeley has also formed a joint venture with Higgs & Hill, the building company, to pursue commercial property developments. Schemes will only be financed and developed when they have been pre-let to tenants, said Mr Tony Pidgley, Berkeley's managing director.

COMMENT

Berkeley richly deserves its reputation as one of the best managed companies in the sector. If the art of housebuilding is the timing of land purchases, Berkeley has got it right in spades. Having sold its land holdings at the top of the market in 1989 it started buying before prices began to rise sharply. The timing of its commercial property joint venture looks equally impressive. Profits, if the portfolio was sold now, could approach 30 per cent. Group profits, assuming the portfolio is held, could still reach £28m this year and rise to more than £35m in 1994-95. The shares based on yield may look a little expensive but are worth it based on the quality of its management performance to date.

Johnson Matthey £6m investment

Johnson Matthey, the precious metals technology group, is to build a £6m autocatalyst plant in Malaysia as a joint venture with Hicom, the Malaysian government's industrial investment company.

The plant is part of JM's plan to increase its penetration of the rapidly growing south-east Asian market, and follows the opening of a £25m technical centre in Japan in October.

It will produce up to 1m autocatalysts, which reduce engine pollution, a year.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Berkeley	int	1.9†	Feb 14	1.65	-	6
Brasway	int	0.24	Mar 9	0.24	-	0.51
Greene King	int	3.85	Feb 4	3.7	-	12.3
Hardys & Hansons	fin	5.5	Mar 7	5.1	8.5	7.9
London Elect	int	7.4	Feb 10	5.8	-	19.5
Mining & Allied	fin	0.75†	Mar 3	0.5	0.75	0.5
Radio Clyde §	fin	6	Feb 9	5.25	9.5	8.5
Richards	fin	1.93	Mar 7	2.93	3	4
Unidare	fin	5.7‡†	Mar 11	11.4	10.1‡	15.7

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish currency. ‡For nine months.

Anglian Water warns of job losses

Anglian Water yesterday announced the first stage in a restructuring of its core water business which is likely to result in a number of job losses next year.

The first to go will be Mr John Simpson, group operations director and managing director of the utility Anglian Water Services.

Mr Simpson, aged 54, announced his early retirement along with the company's statement that it would merge Anglian Water Engineering and Business Services – which provides billing, engineering and computing services – and "certain support functions" into the regulated business.

His responsibilities will be assumed by Mr Alan Smith, managing director of AWS. Mr Simpson's remuneration, excluding pension payments, was reported in last year's accounts as £120,000.

Mr Chris Mellor, finance director, said it was too early to discuss the level of job losses. "But clearly if we are going to constantly improve our efficiency over time then one of the ways is to gradually reduce our workforce," he said.

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SB wins UK approval for anti-viral drug

By Daniel Green

SmithKline Beecham has launched itself into a new and potentially lucrative healthcare field with the approval in the UK of famciclovir, its anti-viral drug.

It has been granted a licence from the UK Department of Health to market the compound under the trade name Famvir for the treatment of herpes zoster, better known as shingles.

It will allow SmithKline to challenge the effective monopoly in anti-viral drugs held by Wellcome, its UK rival.

The business is currently dominated by Zovirax, Wellcome's best selling drug with annual sales of more than $1bn (£800m).

Famvir would go on sale to doctors "early next year", said SmithKline.

The company would not comment on the pricing of the drug, which has to secure approvals in all the world's main drug markets to ensure its ultimate success.

SmithKline has submitted famciclovir in more than 20 countries, with US approval likely next year. About 40 per cent of world sales of Zovirax are in the US; the UK accounts for about 5 per cent.

SmithKline is also seeking approval for the use of famciclovir in treating conditions other than shingles.

Less than one third of Zovirax sales are used in the treatment of shingles; the rest goes on herpes of the face and trunk, genital herpes and chicken pox.

Although Zovirax has effectively had a monopoly in the anti-viral market, this is about to change.

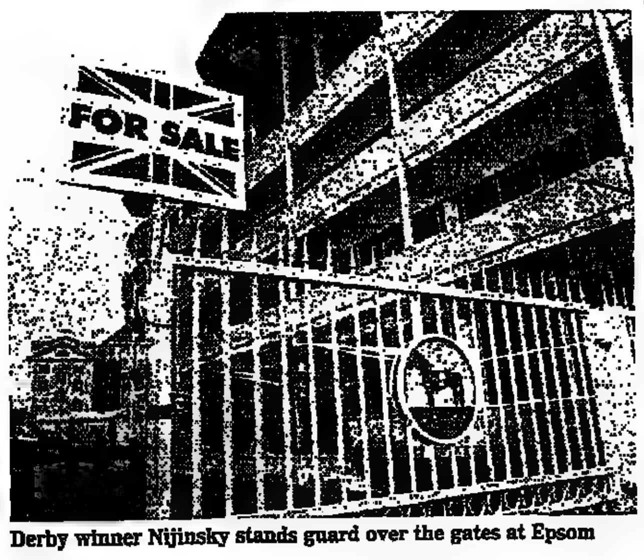
Patents on the drug begin to expire this year, although they remain in force until 1997 in the US, which accounts for almost half of total sales.

Wellcome has already launched over-the-counter versions of Zovirax as part of an attempt to forestall the effect of competition from generic competition.

● Glaxo and Warner-Lambert of the US yesterday confirmed that they have signed agreements under which they will form a joint venture to develop and market over-the-counter versions of Glaxo's prescription drugs.

The joint venture will initially concentrate on developing Zantac, the ulcer treatment that has been the world's best selling drug for several years, for the non-prescription market.

OTC Zantac would probably be sold as a treatment for stomach upsets and will be submitted in 1995 to the US Food and Drug Administration for approval.



Derby winner Nijinsky stands guard over the gates at Epsom

Racecourse stakes comes under orders

By David Blackwell

The race to find a new owner for Epsom racecourse, home of the Derby, began in earnest yesterday as Lazard Brothers, the merchant bank, made available an information memorandum for potential bidders.

Known to be in the running are Racecourse Holdings Trust, a subsidiary of the Jockey Club, and the Racehorse Owners Association.

Epsom is being sold along with Kempton Park and Sandown Park, by the Horserace Betting Levy Board, the statutory body that acquired the courses more than 20 years ago in order to preserve them from possible property developers. The courses comprise almost 1,000 acres within the M25. Estimates of their value range between £20m and £50m.

Mr Rodney Brack, chief executive of the Levy Board, said that 20 potential buyers had been listed so far, with a small proportion from overseas.

The Levy Board will retain the freehold of the courses, and provide the purchaser with long leases subject to covenants guaranteeing the future of racing. "If a purchaser fails to honour the covenants, the Levy Board will be in a position to take action," said Mr Brack.

United Racecourses, the Levy Board subsidiary that runs the three courses, last year had turnover of £9.9m, of which £2.8m came from non-racing activities.

Racecourse Holdings Trust already owns nine courses, including Cheltenham and Newmarket, and ploughs all its profits back into racing.

The Racehorse Owners Association, which has 4,500 members, in October set up a committee to investigate the possibility of buying the courses. The committee includes Mr David Sieff of Marks and Spencer and Sir Eric Parker, former chief executive of Trafalgar House.

Unidare ahead at I£4.49m

Unidare, the Dublin-based industrial group, achieved pre-tax profits of I£4.49m (£4.3m) for the nine months to September 30 against I£3.35m. For the year to December 1992 the company, which has changed its year end, reported profits of I£5.43m.

Turnover increased to I£105m (I£85.3m), with acquisitions contributing I£24.9m. Following the acquisition of Nasco, the group has 18 depots across the US with 4,000 distributor customers.

Earnings per share came through at 19.45p and a final dividend of 5.7p is proposed, making 10.1p for the period.

Calderburn paying up to £10m for specialist supplier

Calderburn, the office furniture group, has paid an initial £6.25m for SBFI, a specialist supplier of dealing desks to financial institutions.

Initial consideration comprises a mixture of new shares, cash and loan notes.

In addition, deferred consideration of up to £4.5m is linked to profit targets.

In the three years ended March 31 turnover of SBFI had risen from £10.2m to £14.6m and pre-tax profits from £143,000 to £1.21m.

Calderburn directors believed that the acquisition would significantly improve the group's growth prospects and enhance earnings per share.

They anticipated that group pre-tax profits for 1993 would be in the order of £2m (£2.83m) after charging non-recurring costs of about £400,000.

It was their intention to recommend a maintained total dividend of 7.7p via the payment of a 4.9p final.

SBFI's markets take in the UK, Europe and east Asia.

Shareholders' approval will be sought for the acquisition at an extraordinary meeting convened for December 29.

COMPANY NEWS: UK

Float proceeds of up to £25m will be used for R&D and expansion

Coda plans listing in new year

By Ian Hamilton Fazey, Northern Correspondent

Coda, the Harrogate-based accountancy software designer for standard, mid-range computers, is to seek a main market listing early next year to raise up to £25m.

The bulk of the money will go towards speeding up research and development of new products, and expansion in the US, EU and Asia-Pacific.

Coda's latest results, published yesterday, showed pretax profits of £3.75m at the October year-end, a rise of 16 per cent. Turnover rose 31 per cent to £23.5m.

Mr Rodney Potts, chairman, who founded Coda with two friends in 1979, said expansion so far had been financed by growth. NatWest Markets, the sole outside investor – but with only 7 per cent of equity – was not pressing for an exit.

However, flotation will also help fund an employee share ownership programme to give a stake in the business to as many of Coda's 300 staff who want it. Since the company trades on selling accountancy packages designed by accountants to accountants, Mr Potts sees wider share ownership as an important potential motivator in a competitive market.

County NatWest Ventures bought in eight years ago, when Mr Potts and Mr Chris Lennox, technical director, needed to buy out their co-founder, who wanted to leave.

Coda concentrates exclusively on accounting software, functioning independently of hardware manufacturers but using open systems which can run on IBM, Digital or Hewlett-Packard computers, as well as interfacing with popular relational databases.

Its integrated accounting system runs in more than 1,000 companies in 40 countries. Customers include P&O, Reckitt & Colman, TDK, Caterpillar, Sears, Nedlloyd and Superdrug.

Business is also growing for accountancy software run on personal computers linked to mainframes or joined into local area networks.

This accounted for nearly £1.5m of last year's sales.

North American sales, where Coda has eight offices, were $16m (£10.7m), ahead more than 40 per cent. Its Asia-Pacific headquarters is in Singapore with branches in Australia, Hong Kong and New Zealand.

The remaining nine offices are in Europe, where technical obstacles have included different accounting standards and tax regimes, automatic language translation and the need for bigger entry fields in Italy to get all the figures in.

As part of going public, Mr Colin Gaskell, chief executive of 600 Group, and Mr David Eggleton, until 1990 head of corporate information systems for BP, have joined Coda as non-executive directors.

Rebel holders threaten Fife

By Tim Burt

Rebel shareholders at Fife Indmar yesterday threatened to force a financial crisis at the Scottish engineering and distribution company if they failed to win control at an extraordinary meeting this week.

Mr Charles McDonald, a non-executive director and rebel leader, said he would cash in £300,000 of loan notes and probably sell his 8.5 per cent stake – the largest non-institutional holding – if moves to oust the board were voted down.

"They'll have a lot of shares coming on to the market. The price could collapse," he said yesterday.

The warning followed allegations of costly acquisitions and poor financial management at Fife.

Mr Gavin Hepburn, chairman, has dismissed the claims and accused the rebels of publishing inaccurate information about the group.

He also held out the prospect of a threefold increase in the final dividend to 2p if the current board remained in control.

The rebels yesterday pledged to match Mr Hepburn's offer and said they would invest an extra £1m in the company.

Mr McDonald said he had the backing of more than 20 per cent of the private investors, although institutions, which control a total of 45.7 per cent of the shares, have not yet signalled their intentions.

Rise to £7m at Hardys & Hansons

By Catherine Milton

Two new pubs and the refurbishment of some older establishments helped Hardys & Hansons, the Nottingham-based brewer, lift pre-tax profits from £6.87m to £7.04m in the year to October 1.

"We are not beginning to see a recovery here. We could not say the recession is beginning to end," said Mr Richard Hanson, chairman and managing director.

Turnover rose to £31.7m (£30.3m). Mr Hanson said prices had increased in line with the rest of the industry and, stripping out the new premises, volumes were stable.

He said cost pressure had pushed prices up by 4p in September bringing the cost of a pint of bitter to £1.14p in the company's managed pubs.

The company launched three new canned beers in July. Yesterday's figures benefited from these for only three months.

A 9.8 per cent increase in trading profits to £6.32m (£5.76m) was not fully reflected at the pre-tax level. Income from interest and dividends fell from £962,000 to £638,000 as rates fell and funds were invested in the company's estate.

Hardys now has 255 pubs in the east Midlands with about one third directly managed and the remainder tenanted.

About 100 pubs are based in Nottinghamshire, with the same number in Derbyshire.

The board is recommending an increased final dividend of 5.5p giving a higher total for the year of 8.5p (7.9p).

Earnings per share rose to 18.935p (18.647p).

Century Inns makes £4.7m in first year of trading

By Chris Tighe

Century Inns, the pubs operator, recorded pre-tax profits of £4.7m on turnover of £19.8m for the 12 months to end-September, its first full year of trading.

The outcome compared with a pre-tax profit of £1.2m (£2.1m before exceptional start-up costs) in the previous 10-month period, on turnover of £13.1m.

Operating profit for the period under review was £8m, compared with £4.4m (excluding exceptional items amounting to £900,000) for the preceding 10 months.

The company said its performance in its first full year reflected not only the annualisation effect of purchases during 1992, but also substantial real growth in earnings.

Mr Alistair Arkley, chief executive, predicted "reasonable growth" in pre-tax profits in the current year.

Century, which now has 301 public houses in Yorkshire and north-east England, was founded in November 1991 by Mr Arkley, former managing director of Brent Walker Brewing and Trading, and two senior colleagues.

The three, who between them put in about £250,000, raised more than £60m for their management buy-in from Schroder Ventures, Mezzanine Management and National Westminster Bank.

The business was launched with the purchase of 185 pubs from Bass. Century, with headquarters in Billingham, Cleveland, now has assets of £52.6m.

Mr Arkley said he believed the company could grow to 500 pubs within its existing management structure.

The anticipated sale of Scottish & Newcastle pubs, following its purchase of GrandMet's Chef & Brewer chain, may give Century a chance to grow, he said.

Century Inns would this year start laying the administrative groundwork for flotation, he added.

Richards deficit cut to £71,000

After a fourth quarter which turned out to be "more difficult than expected" Richards, the Aberdeen-based textile company, ended the year to September 30 with a pre-tax deficit of £71,000.

The outcome, which compared with a loss of £1.99m last year, was struck on turnover down from £71.9m to £67.8m. Of this, acquisitions accounted for £1.75m and discontinued operations for £144,000 (£3.35m).

Positive aspects to the results were a £362,000 gain from the sale of properties, the release of a 1992 provision amounting to £663,000 relating to the withdrawal from linen manufacture and a bomb compensation claim, and a £50,000 profits contribution from Toweropen, acquired in August.

The directors said that Kyle Knitwear had again suffered a significant loss and this company was now up for sale.

After a tax credit of £201,000 (£750,000) earnings per share came out at 0.54p (5.33p losses). The final dividend is cut to 1.93p (2.93p) making a total for the year of 3p (4p).

Mining & Allied reduces loss to £20,550

Losses at Mining & Allied Supplies, a distributor of precision bearings and power transmission products, were cut from £189,413 to £20,550 pre-tax over the 12 months ended September 30.

The deficit took account of a £663,812 provision for discontinued activities to conform with FRS 3 and a £69,577 rise in interest charges to £572,185. The latter mainly reflected additional funding for the purchase of Richard Hough Bearings in June.

Turnover of £24.6m (£13.7m) included an acquisition contribution of £1.17m.

Operating expenses accounted for £6.34m (£4.56m).

The dividend for the year is being stepped up from 0.5p to 0.75p as a measure of confidence and group prospects.

Losses per share widened from 0.3p to 0.5p.

The directors are proposing a name change to Bearing Power International.

BTG asks SE to investigate shares rise

Business Technology Group has asked the Stock Exchange to investigate the "substantial" increase in its share price following the completion of the pre-marketing of a placing and open offer last week.

The office equipment supplier is raising an unspecified amount at 12½p a share for working capital and to help pay for an acquisition.

BTG said that adverse trading in the third quarter of 1993 had resulted in significant losses, increasing pressure on finances and requiring an immediate injection of equity.

It added that it was in discussions which might lead to a significant acquisition.

Yesterday the shares slipped 1½p to 13p.

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COMPANY NEWS: UK

London Electricity jumps 34%

By Michael Smith

London Electricity's airport distribution network, bought from BAA in March, helped the company lift pre-tax profits by 34 per cent to £69.9m in the six months to end-September.

The airports arm made an operating profit of £5.3m in the half and the company expects a contribution of about double that for the full year.

Mr Roger Urwin, chief executive, said the business was a long term investment which would make increasing contributions to earnings

London Electricity was also helped in the half year by its decision to withdraw from retailing. Losses in the operation were eliminated, whereas in first half of last year they were £4.6m.

The company's aim of reducing its payroll by 2 to 3 per cent a year was exceeded in the first half when staffing fell by 452 to 5,212, with the help of the retail disposals. Reductions in the core business amounted to 151.

The company has cut 1,500 jobs since privatisation, 1,000 of them in the core businesses.

● COMMENT

The 32 per cent dividend increase is rather more spectacular than it may seem. Assuming the company sticks to its line of paying two thirds of the full year payment in the second half then the total of 22.2p will be only fractionally higher than the market was already expecting. Nonetheless, there was enough in yesterday's results to justify the recent rise in the share price. They demonstrate the value of getting out of retailing at a time when some other regional companies are struggling to justify persevering in it. The move into the airports company, the most significant acquisition by any rec, also looks astute as it will provide growing earnings in a safe, if dull, business which London is well qualified to run. At group level, yesterday's managerial appointments also represent a significant strengthening of the board. The shares are trading on a prospective yield of about 4.3 per cent. That seems about right this side of the regulator's review of the recs' distribution businesses. The market remains nervous about London's relatively high cost base and its task is to persuade the regulator that the costs are entirely a result of operating in the capital.

NEWS DIGEST

Radio Clyde advances to £3m

Radio Clyde, the USM-quoted broadcaster, turned in a near-threefold increase in pre-tax profits from £1.09m to £3.03m for the year to end-September.

The improvement was achieved on turnover up 12 per cent to £14.6m (£13m), and included exceptional credits amounting to £618,000 – against £738,000 costs last time. Comparisons were restated in accordance with FRS 3.

The bulk of the exceptional credit arose from the disposal of about 50 per cent of the company's 28.6 per cent investment in Satellite Media Services.

An increased final dividend of 6p is proposed, for a total of 9.5p (8.5p). The distribution comes from earnings per share of 24.7p against 5p – restated under FRS 3 from 13.2p.

The company intends to change its name to Scottish Radio Holdings.

Strong growth lifts Norbain shares

Shares of Norbain jumped 21p to 290p yesterday after the expanding USM-traded security products group built upon a strong showing last year with a buoyant interim performance.

Profits before tax for the six months to October 31 amounted to £724,000, against £224,000, reflecting good growth throughout the group, according to Mr John Nicol, chairman. Turnover was £15.8m (£7.62m), including a contribution of £4.37m from acquisitions.

Earnings per share were 6.69p (2.16p) basic and 6.59p (2.1p) fully diluted.

Ewart chairman resigns suddenly

Mr Derek Tughan has resigned suddenly as chairman of Ewart, the Northern Ireland-based property company. No explanation has been given.

The board will meet to decide on a new chairman "in due course" but no date has been set.

Brasway improves 27% to £420,000

A 27 per cent improvement in pre-tax profits from £330,000 to £420,000 was achieved by Brasway in the six months to October 30.

Following its further redirection into value added products, the group now has two main divisions, Europower (hydraulic hoses and couplings) and Excalube (industrial and automotive lubricants).

Turnover fell to £15.3m (£16.4m) but trading profits advanced to £624,000 (£576,000). Earnings per share rose from 0.28p to 0.36p and the interim dividend is held at 0.24p.

Hamlet rises 32% to £2m

Profits of Hamlet Group, the clothes importer which obtained a stock market listing in October, rose from £1.52m to £2m pre-tax for the half year to September 30.

The 32 per cent improvement was achieved on the back of a 16 per cent rise in turnover to £30.5m. Interest charges were cut to £258,000 (£324,000) but tax took £177,000 more at £682,000.

Earnings per share emerged at 4.41p (3.51p). There is no interim dividend but, as referred to in the flotation prospectus, a final will be payable in September 1994.

Mr John Lusher, an ex-director of Marks and Spencer, has joined the board as a non-executive director.

Flats purchase for Frogmore

Frogmore Estates, together with British Ensign Estates, has acquired a portfolio of 15 blocks of flats from Liverpool Victoria Friendly Society for £23.7m cash.

The portfolio comprises 650 rented flats. Following completion of the purchase, Frogmore will own 11 of the blocks, consisting of 497 flats acquired for £18.9m and producing annual rental income of £1.3m.

Tiphook delays interim statement

Tiphook, the container leasing and transport rental group, said its half-year results would be announced "rather later" than usual because of talks about the possible sale of its container division to Transamerica, the US financial services and leasing group.

The UK group normally reports its mid-term results in December.

Tiphook's operating container fleet in November stood at 491,633 20 ft equivalent units, down 3,975 on October's level.

November's average utilisation was 81.98 per cent, against 82.31 per cent.

The European truck trailer fleet stood at 25,192, up 127 on October. Average utilisation was 83 per cent, against 78.3 per cent.

Management buys Druid Systems

Management of Druid Systems, the information technology consultancy, has bought the 75 per cent of the group it did not already own in a £2.8m deal.

Equity for the deal is provided by Candover Investments, Candover 1991 Fund and Phoenix Development Capital Fund.

Standard Life new premiums top £2bn

By Alison Smith

Standard Life, one of the UK's largest insurance companies, said yesterday that its new premium income in the UK over the year to November 15 had increased by 20 per cent to £2.08bn.

It said that continuing increases in single premium investment had more than compensated for the trend away from annual premium business.

In both annual and single premium products, however, the amount of new business in individual pensions was lower than in the previous 12 months.

New business from annual premium individual pensions was down 4 per cent to £66m, while from single premium personal pensions it was down 9 per cent to £648m.

Individual pensions were the only single-premium' products to record a fall in new business.

Standard Life said that the personal pensions market as a whole had been affected by the recession, with people giving priority to meeting their day-to-day needs rather than longer-term saving.

There was a sharp increase in new investments into Standard Life's investment bonds, which more than doubled over the year from £190m to £467m.

Standard Life attributed this to the return of confidence to the stock market as well as its own investment record.

The company said that 65 per cent of its new business came from financial intermediaries, with the rest coming from tied agents and the small direct sales force it is building up now that its "tie" with the Halifax Building Society, the UK's largest, is to be broken.

Including business in Canada and the Republic of Ireland, Standard Life's new premium income rose 15 per cent to £2.8bn.

Dutch group may snooker European Leisure plans

By David Blackwell

A Dutch investment company with a large stake in European Leisure, the debt-laden snooker hall and discotheque operator, is opposing the board's restructuring plans as "evidently unfair."

Van Heyst Investments, which has 11 per cent of European Leisure's preference shares and 3 per cent of the ordinary equity, has written to 19 other preference shareholders urging them to vote against the proposals. Mr Henk van Heyst, director of Van Heyst Investments, believes that the 20 groups represent 95 per cent of the preference shares. He said yesterday that so far he had had no response.

European Leisure needs 75 per cent of the votes cast at its meeting in Dublin next Tuesday for the restructuring to proceed. Under the proposals the banks could end up with as much as 71 per cent of the company in four years' time.

Mr van Heyst accepts that the banks will get the biggest stake, but believes the preference shareholders, whose claim on the current equity is about 80 per cent, are getting a raw deal. They would, he said, end up with only 27 per cent of the equity not held by the banks, compared with 63 per cent for the ordinary shareholders.

Separately, Mr Maurice Cresswell, a private investor with 1m ordinary shares, has written to Mr Clive Bastin, European Leisure chairman, criticising the group's proposals as "utterly astounding and totally unacceptable."

Mr Ian Rock, European Leisure chief executive, said yesterday that the group had sought to balance within the restructuring proposals the interests of all parties. "We are hopeful of persuading all classes of shareholder to vote in favour."

Hays buys agency for £5.1m

By Andrew Bolger

Hays, the business services group, has reaffirmed its faith in the reviving recruitment market by paying £5.1m for Modus Holdings, a specialist agency which provides information technology staff.

Modus, which has two branches north of London, provides computer systems, programming and operating staff. The management will stay with the business.

Hays said Modus would fit well with its Accountancy Personnel business, which has 120 branches providing accountancy placements and is part of the group's personnel services division. Client contact within both businesses was with finance directors and there would be opportunities to cross-market client databases and expand Modus through the Hays personnel network.

Hays' operating profits from personnel plunged from £19m in 1990 to just £4.8m two years later, but the division showed a 40 per cent recovery to £6.7m in the year to June 30.

Mr Ronnie Frost, executive chairman, said the recruitment market was continuing to make steady progress. "Every single week is better than the last on temps, and permanent staff are beginning to show."

Modus made operating profits of £950,000 on sales of £13.9m in the 11 months to December 10. Hays has acquired the share capital for £2.7m and assumed debt of £2.4m.

The consideration consists of £2.04m in loan notes, £540,000 in cash and £120,000 through issuing 45,045 Hays shares.

Booth Industries closes division

By Nigel Clark

Booth Industries Group is pulling out of structural steelwork with the loss of two thirds of its workforce following continued weakness in the company's markets.

However, Mr Robin Booth, managing director, said the move was not final and the company would re-enter the market when conditions allowed. He added that the decision would not take effect for three months when the present order book ran out.

The announcement accompanied interim results showing further pre-tax losses of £377,970 (£110,043 profits) after a fall into the red in the second half of the previous year. Turnover fell from £12m to £7.97m.

Full provision for the withdrawal would be made in the full year accounts, amounting to the greater part of retained reserves. The company said these would be replaced by the sale of tangible assets "which had been held for many years".

Mr Booth declined to identify the assets but thought there would be no problem in realising sufficient funds to cover the provisions and leave cash for expansion.

The Bolton-based company will be left with its provision of high specification doors and fire engineering equipment.

The company blamed the steelwork side for the losses in the six months to September 30. Mr James Booth, chairman, said the group had been restricted to working on contracts in an "intensely competitive domestic market".

Losses per share came out at 9.45p (1.84p earnings). The interim dividend is passed (0.7p).

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

	US Exports	US Visible trade balance	US Current account balance	US Ecu exchange rate	US Effective exchange rate	Japan Exports	Japan Visible trade balance	Japan Current account balance	Japan Ecu exchange rate	Japan Effective exchange rate
1985	279.8	-174.2	-162.5	0.7623	100.0	230.6	78.0	84.5	180.50	100.0
1986	230.9	-140.8	-152.7	0.9838	80.2	211.1	96.2	86.9	165.11	124.4
1987	220.2	-131.8	-145.0	1.1541	70.3	197.8	86.1	75.5	166.58	133.2
1988	272.5	-100.2	-107.5	1.1833	68.0	219.8	80.7	68.8	151.51	147.3
1989	330.2	-98.3	-92.2	1.1017	69.4	245.3	70.5	52.4	151.87	141.9
1990	309.0	-79.3	-72.1	1.2745	65.1	220.0	50.1	28.3	183.94	126.0
1991	340.5	-53.5	-6.7	1.2391	64.5	247.4	83.1	82.9	166.44	137.0
1992	345.8	-64.1	-51.2	1.2957	62.9	254.8	101.8	89.8	164.05	142.9
4th qtr.1992	91.5	-17.4	-18.7	1.2658	64.2	65.2	26.9	24.8	155.57	149.7
1st qtr.1993	95.1	-21.8	-18.7	1.1920	68.4	72.4	29.8	30.2	144.38	158.5
2nd qtr.1993	95.3	-25.4	-22.3	1.2069	64.3	73.4	29.0	26.3	132.76	172.4
3rd qtr.1993	99.6	-27.4		1.1443	68.4	79.8	31.9	28.0	120.89	183.7
November 1992	30.5	-6.3	n.a.	1.2372	65.1	22.1	9.1	9.3	153.22	150.3
December	31.6	-5.8	n.a.	1.2391	65.3	21.7	8.8	7.8	153.57	150.7
January 1993	30.9	-6.3	n.a.	1.2132	66.4	23.0	8.9	7.4	151.67	151.3
February	31.2	-6.7	n.a.	1.1839	66.7	23.9	10.5	9.4	142.87	159.2
March	33.0	-8.2	n.a.	1.1789	66.2	25.5	10.4	13.6	138.61	164.4
April	31.5	-8.3	n.a.	1.2214	64.3	24.6	9.9	9.6	137.17	167.8
May	32.0	-6.9	n.a.	1.2161	63.9	23.5	10.1	8.1	134.15	171.0
June	31.5	-10.2	n.a.	1.1835	64.5	25.4	8.9	7.6	126.97	178.2
July	32.7	-9.2	n.a.	1.1349	65.9	26.9	11.5	9.9	122.24	181.1
August	33.8	-8.9	n.a.	1.1251	65.7	26.5	8.8	8.5	116.79	188.2
September	33.1	-9.3	n.a.	1.1282	64.7	26.4	10.7	9.6	123.60	181.8
October					65.5	24.7	9.7	9.0	124.03	180.4

	Germany Exports	Germany Visible trade balance	Germany Current account balance	Germany Ecu exchange rate	Germany Effective exchange rate	France Exports	France Visible trade balance	France Current account balance	France Ecu exchange rate	France Effective exchange rate
1985	*242.8*	*33.4*	*21.7*	*2.2260*	*100.0*	133.4	-3.6	-0.2	6.7942	100.0
1986	*248.6*	*53.4*	*40.3*	*2.1279*	*108.8*	127.1	0.0	3.0	6.7946	102.8
1987	*254.3*	*58.8*	*39.8*	*2.0710*	*115.3*	128.3	-4.6	-3.7	6.9265	103.0
1988	*272.6*	*61.6*	*42.9*	*2.0739*	*114.6*	141.9	-3.9	-3.4	7.0354	100.8
1989	*310.2*	*65.3*	*52.3*	*2.0381*	*113.5*	162.9	-6.3	-3.6	7.0169	99.8
1990	323.9	51.8	37.2	2.0537	119.1	170.1	-7.2	-7.2	6.9202	104.8
1991	327.4	11.2	-18.2	2.0480	117.7	175.4	-4.2	-4.9	6.9643	102.7
1992	330.6	16.9	-19.5	2.0187	121.2	182.5	4.4	2.7	6.8420	106.0
4th qtr.1992	82.2	3.4	-4.1	1.9593	125.0	46.8	1.3	2.2	6.6529	109.3
1st qtr.1993	78.9	4.5	-4.0	1.9475	125.6	42.9	2.3	1.5	6.6087	110.0
2nd qtr.1993	74.8	7.1	-2.6	1.9530	124.0	43.6	3.1	3.1	6.6118	108.7
3rd qtr.1993			-9.1	1.9160	123.9	44.1	3.7		6.6506	108.4
November 1992	28.5	0.9	-0.3	1.9634	124.0	15.1	0.10	0.27	6.6426	109.0
December	26.7	0.0	-2.5	1.9581	125.3	15.4	0.93	1.46	6.6793	109.0
January 1993	25.4	1.4	-2.7	1.9592	125.3	13.9	0.53	0.92	6.6437	109.7
February	27.4	1.5	-1.9	1.9437	125.8	14.7	0.78	0.49	6.5846	110.3
March	24.0	1.6	0.6	1.9339	125.7	14.3	0.98	0.08	6.5919	109.9
April	25.5	1.7	-2.3	1.9483	125.5	14.3	0.89	0.40	6.5675	110.6
May	24.6	2.7	-0.7	1.9540	124.1	15.1	1.60	2.52	6.6638	109.6
June	24.7	2.7	0.5	1.9559	122.8	14.4	0.63	0.13	6.5842	108.9
July	23.6	2.0	-4.4	1.9463	122.0	15.0	1.60	1.50	6.6299	107.0
August	23.9	1.5	-3.5	1.9081	123.6	14.3	0.43	1.30	6.6761	105.3
September			-1.2	1.8896	126.1	14.8	1.44		6.6465	107.0
October				1.8995	126.2				6.6631	106.9

	Italy Exports	Italy Visible trade balance	Italy Current account balance	Italy Ecu exchange rate	Italy Effective exchange rate	UK Exports	UK Visible trade balance	UK Current account balance	UK Ecu exchange rate	UK Effective exchange rate
1985	103.7	-16.0	-5.4	1443.0	100.0	132.4	-5.7	4.7	0.5880	100.0
1986	99.4	-2.5	-1.4	1461.6	101.4	108.3	-14.2	0.1	0.6708	91.6
1987	100.7	-7.5	-2.1	1494.3	101.2	112.3	-16.4	-6.4	0.7047	90.1
1988	108.3	-8.9	-6.1	1536.8	97.8	120.9	-32.3	-24.4	0.6643	95.5
1989	127.8	-11.3	-17.0	1509.2	98.6	137.0	-36.7	-22.3	0.6728	92.6
1990	133.6	-9.3	-18.0	1523.2	100.6	142.3	-28.3	-23.8	0.7150	91.3
1991	137.0	-10.5	-17.1	1531.3	98.9	147.7	-14.7	-9.1	0.7002	91.7
1992	137.9	-9.0	-20.6	1591.5	95.7	145.1	-18.7	-18.2	0.7359	88.4
4th qtr.1992	34.9	0.0	-3.6	1719.4	87.1	34.6	-5.4	-4.4	0.8015	79.6
1st qtr.1993	32.4	0.7	-2.4	1839.8	80.5	37.6	-3.8		0.8017	78.5
2nd qtr.1993	36.7	3.9	2.5	1814.2	81.2	37.7	-3.9		0.7982	80.2
3rd qtr.1993				1813.0	79.8	40.5	-3.1		0.7505	81.0
1992 November	10.8	-1.2	-2.4	1687.0	88.7	11.5	-1.7	-1.35	0.8100	78.3
December	11.6	1.1	-0.4	1747.6	85.6	11.5	-2.4	-2.03	0.7978	80.0
1993 January	9.7	0.5	-1.9	1809.3	82.5	12.6	-1.4	n.a.	0.7809	80.6
February	11.0	0.4	-0.0	1833.6	80.8	12.4	-1.3	n.a.	0.8179	76.8
March	11.7	-0.0	-0.5	1876.4	78.5	12.6	-1.1	n.a.	0.8061	78.2
April	11.8	1.1	0.3	1871.4	79.0	12.3	-1.5	n.a.	0.7894	80.5
May	12.4	1.2	0.9	1793.2	82.2	12.5	-1.2	n.a.	0.7656	80.5
June	12.6	1.6	1.1	1778.0	82.5	12.8	-1.2	n.a.	0.7637	79.6
July	14.7	4.4	1.1	1796.8	80.8	13.1	-1.4	n.a.	0.7586	81.3
August	7.6	0.9	1.6	1804.2	79.7	13.9	-0.5	n.a.	0.7545	81.0
September				1838.0	78.9	13.4	-1.3	n.a.	0.7685	80.8
October				1864.9	78.2				0.7712	80.4

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

COMMODITIES AND AGRICULTURE

Talks on European zinc output cuts 'encouraging'

By Kenneth Gooding, Mining Correspondent

European zinc producers are still on course to implement a scheme to eliminate substantial over-capacity by the permanent closure of one or two smelters next year. The cost of the so-called "shut-down" scheme would be met by the European industry as a whole.

A weekend meeting between senior industry executives in Brussels made good progress, it was suggested yesterday. A draft agreement was discussed in detail and this set out the terms and obligations for each individual company taking part in the shut-down scheme, said Eurometaux, the European non-ferrous metals association.

Discussions with the European Union authorities had also been "encouraging" – EU approval is needed before the proposals can be implemented.

One industry executive said there was "genuinely constructive discussion" during the weekend talks and the metals market had been wrong to assume that an instant decision would be possible. "These things take time," he said.

The producers are to meet again in mid-January.

Finnish technology to clean up Russian smelter's emissions

By Kenneth Gooding

Pollution from the Kandalaksha aluminium smelter in Russia will be substantially reduced by an upgrading to be carried out by Kumera Corporation, a Finnish engineering company, using technology from Reynolds Metals of the US.

The project, which is to cost less than US$50m, will also boost Kandalaksha's capacity from 62,000 to 70,000 tonnes a year.

Kumera suggests that this is the first environmental modernisation project for a complete aluminium smelter in Russia since privatisation of the industry started there.

The Finnish government will give some financial support to the project because Kandalaksha is on the Kola Peninsula and some of its fluoride emissions are blown across the border into Finland.

Reynolds has well-tried technology to improve the performance of outdated Söderberg smelters and Mr Vesa Kumpulainen, Kumera's chief executive, says this technology not only cuts pollution substantially but also saves energy.

Once the project has received Russian government approval, the work is expected to be completed in 30 months.

● The Russian government is recommending that its aluminium industry should make across-the-board production cuts of 10 per cent, Mr Alexander Deineko, deputy head of the Russian industry department, said, Reuter reports from Moscow.

He admitted, however, that he did not know how the newly-independent producers – most of the smelters are now joint-stock companies – would react to this official recommendation, which follows meetings with officials from other aluminium-producing countries in Washington.

Another official, Mr Ruben Petrosyan, head of Raznoimport, Russia's aluminium export organisation, said all the countries were considering a 10 per cent production cut and an accord might be reached at talks in Brussels on January 13.

● The New York Mercantile Exchange, the big energy futures market, is planning to revive a failed aluminium futures contract in an effort to capitalise on price risks created by the world oversupply of aluminium, writes Laurie Morse in Chicago.

Mr Daniel Rappaport, the chairman of Nymex, said that he hoped to launch aluminium futures in conjunction with his exchange's proposed merger with New York's Commodity Exchange, the precious metals futures exchange, but would go ahead with the project even if the merger failed.

Nymex, best known for its successful crude oil futures and options, also trades platinum futures. Mr Rappaport said that if the foray into aluminium was successful, the exchange would attempt to establish trading in zinc and nickel futures.

The exchange's board members are scheduled to vote on the $50m Comex merger package this week. If the plan is cleared by the board, it must then be approved by Comex directors and presented for approval to the memberships of both exchanges. Comex's volume and seat values have jumped this year in the wake of the 1993 gold rally, causing some members to question the value of the merger and putting the outcome of the plan in doubt.

Mr Rappaport promised Comex members that he would invest heavily in a new aluminium contract if the merger was approved.

Comex launched an aluminium futures contract in 1984, but volume was thin from the outset and it last traded in November 1990. The exchange formally delisted the contract this year.

US floods wash up winners as well as losers

While some farmers' crops were devastated others flourished, writes Laurie Morse

Farmers are always subject to the vagaries of weather, but this year in the US mother nature was more fickle than usual, flooding grain crops in the midwest and visiting drought on the south-east. Within the affected areas neighbours had sharply different fates: a farmer on high ground in Iowa could boast a record maize crop while his lowland colleague was wiped out by a swollen river.

"There was a real dichotomy of winners and losers. That is the real outcome of a year like this one," says Mr Alan Barkema, agricultural economist with the Kansas City Federal Reserve.

The harsh weather reduced the US maize harvest, the largest crop in the US, to 6.4bn bushels (162m tonnes), 30 per cent below the record 1992 harvest. Soyabean production dropped 19 per cent, to 1.8bn bushels, according the the US Department of Agriculture's latest estimates. The harvest shortfall leaves the US with just enough feedgrains to meet this year's domestic and export needs, and very little carryover to cushion any problems with the 1994 harvest.

While analysts are busy counting bushels and fretting over grain supplies, farmers who escaped disaster are enjoying their best year ever. Net farm income is forecast to rise to a record $59bn in 1993, and thanks to the drawdown in grain stocks, the government is asking grain farmers to plant fencepost-to-fencepost next year, eliminating acreage set-aside programmes for the first time since supply-management farm programmes were initiated in 1981.

As a result, Mr Bob McElroy, a financial analyst with the Agriculture Department, estimates that net cash farm income in 1994 will be very close to the 1993 record. The three-year streak of farm prosperity, he explains, stems from the boom-and-bust nature of the crop sequences.

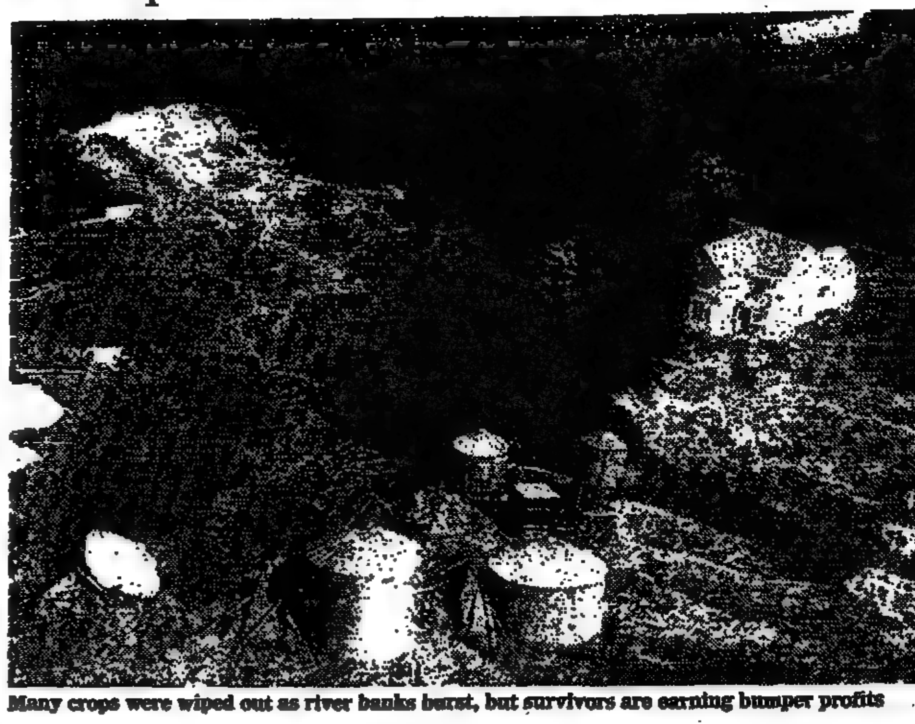
The 1992 maize harvest was huge, giving farmers more grain to sell, but at low prices. As crop conditions worsened in the first half of this year, grain prices rose, allowing farmers to market stocks at high prices. Mr McElroy, like many other analysts, expects prices to remain firm through the first half of 1994, benefitting farmers who still have grain to sell.

In addition, the $2.5bn in disaster relief payments authorised for farmers by congress have begun to trickle into farm communities, partly offsetting the estimated $5bn in crop losses suffered this year.

With more land coming into production next year (some 80m acres will be planted to maize) and with ample moisture remaining in midwestern soils, there is a chance for a bumper harvest next summer. However, a good crop is far from certain. Agronomists say the after-effects of flood-drifted soil, soggy fields and disabled equipment could delay spring plantings along midwestern rivers and provide enough uncertainty to continue to support world grain prices.

In the meantime, seed and fertiliser producers are gearing up for a busy spring and farmers who have reaped profits are becoming re-acquainted with their tractor and combine harvester dealers. US tractor sales were up 9 per cent in the year to October and the nation's top tractor makers – Deere and Company and the J.I. Case division of Tenneco – have boosted production in the fourth quarter.

Deere reported fourth quarter profits of $103.5m this week, up from $4.2m last year, with a large portion of the improvement coming from North American sales of agricultural equipment. Case expects to have $1.6bn in agricultural sales in the US this year.



Many crops were wiped out as river banks burst, but survivors are earning bumper profits

Mr Tom Reynolds, an economist at Deere, is cautious in his forecasts. He thinks low interest rates, increased income, and to some extent, increased confidence in the farm outlook have helped equipment sales. He says, however: "It is hard for me to say we'll see the start of a boom in farm equipment sales. I think we'll see a small improvement, not a boom".

Other measures of the farm economy – land values and farm debt – also indicate that US agriculture is in a period of slow but solid growth. Land values have been rising 2.5 to 3.5 per cent a year, in step with the overall growth of the US economy. US farm debt, which peaked at $194bn in the depths of the farm recession in 1984, has subsided to $138bn.

Farmers have been slow to take on new debt this year, an indication that they also are not expecting an agricultural boom. Although grain and soyabean stocks are historically low, and prices are high, producers are aware that, even if the General Agreement on Tariffs and Trade negotiations are concluded successfully, world agricultural trade is not going to recover soon.

High soyabean prices have already inspired record plantings in Argentina and Brazil, and those crops will compete with US supplies on world markets. The former Soviet Union, the US's best grain customer two years ago, is still suffering credit problems, while China, its second-biggest customer, is reducing wheat imports. Overall, the US Department of Agriculture forecasts that feedgrain exports will drop to 1.35bn bushels in the 1994 fiscal year, down 15 per cent from 1993 and well below the peak of 2.2bn.

Russia to tax sugar imports

By Leyla Boulton in Moscow

Russia will slap a 50 per cent tariff on imported sugar from next month, Mr Alexander Zaveriukha, the Russian deputy prime minister responsible for agriculture, has announced.

Interfax news agency quoted him as saying that the tax will protect the country's sugar producers.

Dutch farmers face phosphorous curbs

Dutch pig and poultry farmers will be forced by 1995 to cut the amount of pollution-causing manure their animals produce to 30 per cent below 1986 levels under a law passed by parliament yesterday, the ANP news agency said, reports Reuter from the Hague.

If the farmers cannot reduce the amount of phosphorous nutrient in the manure applied to land by 30 per cent they will will be required to cut animal numbers. Further reductions will be required up to the year 2000 to achieve levels the land can absorb.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1147.5-48	1167.5-68
Previous	1116.5-17.5	1136.5-37
High/low	1139/1137	1173/1136
AM Official	1139.5-40	1159.5-60
Kerb close		1173/1136
Open int.	280,998	
Total daily turnover	100,223	

■ ALUMINIUM ALLOY ($ per tonne)

Close	983-88	1008-10
Previous	987-89	990-91
High/low		1010/1003
AM Official	980.5-85	1005-10
Kerb close		1005-10
Open int.	2,875	
Total daily turnover	743	

■ LEAD ($ per tonne)

Close	473-74	[illegible]
Previous	456.5-57.5	461-62
High/low		486/479
AM Official	469-69.5	480.5-1.5
Kerb close		[illegible]
Open int.	30,808	
Total daily turnover	12,424	

■ NICKEL ($ per tonne)

Close	5335-40	5395-400
Previous	5165-75	5225-30
High/low	5205	5430/5240
AM Official	5205-06	5265-70
Kerb close		5430-40
Open int.	50,632	
Total daily turnover	14,396	

■ TIN ($ per tonne)

Close	4895-905	4950-55
Previous	4860-65	4910-15
High/low		4980/4905
AM Official	4850-55	4905-10
Kerb close		4955-60
Open int.	16,255	
Total daily turnover	4,544	

■ ZINC, special high grade ($ per tonne)

Close	1015-16	1033-34
Previous	1000-01	1018-18.5
High/low	1000	1040/1013
AM Official	1000-00.5	1018.5-19
Kerb close		1039-40
Open int.	68,137	
Total daily turnover	37,212	

■ COPPER, grade A ($ per tonne)

Close	1747-49	1770-72
Previous	1677-78	1699-99.5
High/low	1741.5	1775/1763
AM Official	1741.5-42	1764-64.5
Kerb close		1768-68.5
Open int.	215,613	
Total daily turnover	122,558	

■ LME AM Official £/$ rate: 1.4840
LME Closing £/$ rate: 1.4902

Spot:1.4905 3 mths:1.4831 6 mths:1.4777 9 mths:1.4739

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int.	Vol
Dec	80.05	+0.45	80.10	79.40	1,951	597
Jan	80.05	+0.40	80.10	79.30	1,647	244
Feb	80.35	+0.40	-	-	990	1
Mar	80.60	+0.40	80.80	79.90	45,564	4,376
Apr	80.75	+0.40	80.75	80.55	934	63
May	80.90	+0.45	81.10	80.30	7,539	585
Total					6,576	77,134

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.20-386.60	
Opening	385.70-386.10	
Morning fix	387.55	259.283
Afternoon fix	388.25	258.589
Day's High	388.40-388.80	
Day's Low	385.70-386.10	
Previous close	382.50-383.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....2.80 6 months 2.81
2 months ....2.80 12 months 2.82
3 months 2.80

Silver Fix	p/troy oz.	US cts equiv.
Spot	341.25	510.00
3 months	346.35	513.55
6 months	349.35	517.75
1 year	358.95	527.05

Gold Coins	$ price	£ equiv.
Krugerrand	389-392	260-263
Maple Leaf	398.25-400.75	-
New Sovereign	90-93	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Dec	387.0	+3.8	388.5	386.1	887	64
Jan	387.6	+3.7	387.9	387.9	1	1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SILVER COMEX (100 Troy oz.; $/troy oz.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls, $/barrel)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int.	Vol
Jan	100.20	-0.50	100.20	100.00	1,017	65
Mar	101.20	-0.80	101.50	101.30	1,960	72
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Tea

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int.	Vol
Dec	986	+9	984	986	47	66
Mar	1036	-1	1043	1034	46,132	1,829
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB (Base: 4/9/56=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int.	Vol
Dec	73.425	+.050	73.050	72.250	8,798	2,755
Feb	72.875	0.475	73.625	72.650	32,029	8,709
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

[illegible]

■ COPPER (Grade A) LME

[illegible]

■ COFFEE LCE

[illegible]

■ COCOA LCE	Mar	May	Mar	May
950	101	116	67	39
1000	83	100	90	60
1050	67	86	130	78

■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1400	5		20	54
1450	3	32	56	
1500		16	86	

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)		+or-
Dubai	$12.27-2.37	-0.095
Brent Blend (dated)	$13.89-3.91	+0.03
Brent Blend (Jan)	$13.79-3.81	-0.02
W.T.I. (1pm est)	$14.62-4.64	-0.12

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$141-143	-2
Gas Oil	$151-152	
Heavy Fuel Oil	$54-56	
Naphtha	$128-130	-1
Jet fuel	$168-170	

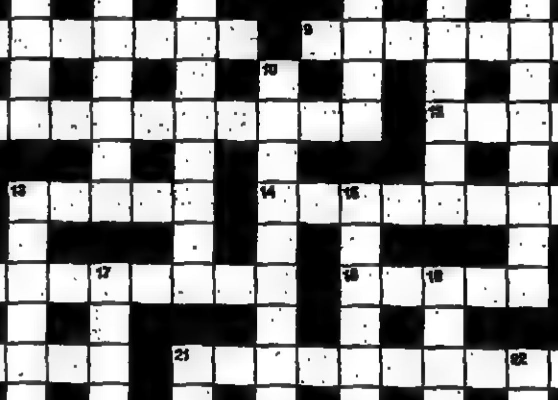
Petroleum Argus Estimates

■ OTHER		
Gold (per troy oz)♣	$388.40	+3.85
Silver (per troy oz)♣	513.5c	+17
Platinum (per troy oz.)	$384.50	+5
Palladium (per troy oz.)	$127.25	+1
Copper (US prod.)	83.5c	+1.5
Lead (US prod.)	32.75c	
Tin (Kuala Lumpur)	12.08r	+0.26
Tin (New York)	228.5c	+2
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	122.97p	+1.01*
Sheep (live weight)†♠	88.09p	+2.19*
Pigs (live weight)	73.09p	-0.25*
Lon. day sugar (raw)	$274.60	+4.8
Lon. day sugar (wte)	$298.50	+2
Tate & Lyle export	£295.50	+1
Barley (Eng. feed)	£108.75y	
Maize (US No3 Yellow)	£129.0	
Wheat (US Dark North)	£175.0z	
Rubber (Jan)♥	60.75p	
Rubber (Feb)♥	61.00p	
Rubber (KL RSS No1 Jul)	208.0m	-0.5
Coconut Oil (Phil)§	$642.5x	+17.5
Palm Oil (Malay.)§	$410.0y	
Copra (Phil)§	$412.5	-30
Soyabeans (US)	£198.5	
Cotton 'A' index	56.80c	
Wooltops (64s Super)	341p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Mar. z Jan. v Sep/Oct. t Dec/Jan. x Mar/Apr. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,331 Set by DANTE



ACROSS

1 Investments frame-up exposes people to ridicule (6)
4 Draughtsman gets back pay (6)
8 Drunk, but not canned (7)
9 Pink gin ordered for an important person (4-3)
11 Big worry about angry writer (6,5)
12 Famous ship is short of freight (4)
13 Leapt out from the crease (5)
14 Becomes confused about laps, runs the wrong way (6,2)
16 and 19 down. Steps taken quietly (4-4,7)
18 She confuses the issue (5)
20 World champion runner to study for an exam (4)
21 Lap-dogs? (10)
23 Meets Sid and Joan when out (7)
24 Filled in with very loud duets newly composed (7)
25 Something very enjoyable is still second best (6)
26 Possibly a grave sign of stress (6)

DOWN

1 Worn part of brakes (5)
2 To argue in such a way is a scandal (7)
3 Look out and foil the pickpockets (4,5)
5 Rear lights, we hear (5)
6 Bird dog will do it when happy (7)
7 Measuring device for cats and dogs (4-5)
10 Sort of pastel colour laid on thick (9)
13 Puts order into projects (9)
15 Teaches it in translation in accordance with good taste (9)
17 A doctor breaks a journey to get an instrument (7)
19 See 16 across
21 Sail from port (5)
22 Live in the past (5)

Solution to Saturday's prize puzzle on Friday December 24.
Solution to yesterday's prize puzzle on Wednesday December 29.

JOTTER PAD

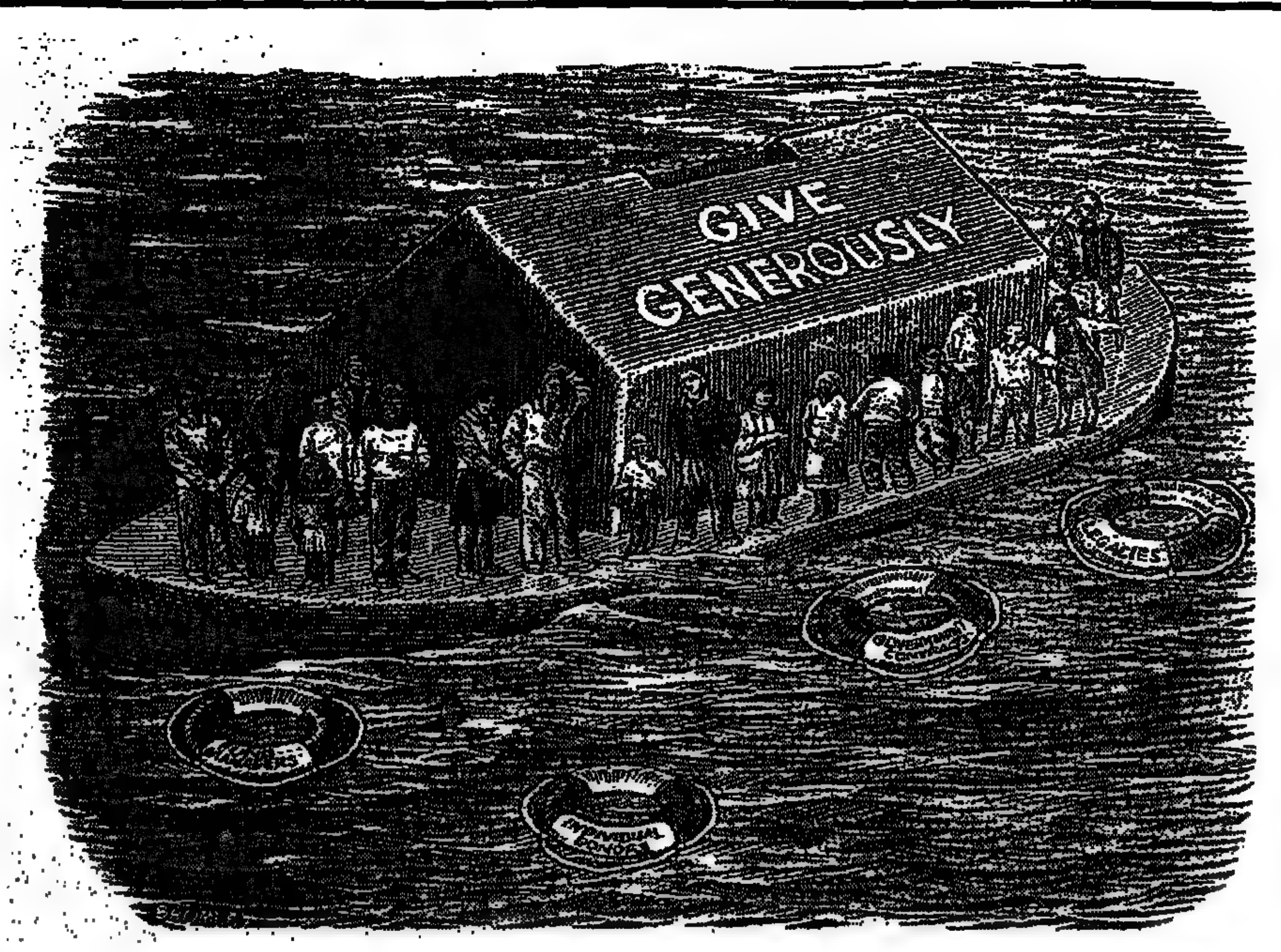
FINANCIAL TIMES SURVEY

CHARITIES INVESTMENT AND FINANCE

Tuesday December 14 1993

Charities are now at the centre of a redefinition of the UK welfare state. As provision of welfare services fragments between the public, private and voluntary sectors, charities are under pressure to provide more – and to be financially efficient. Alan Pike reports

No help from the Budget



Do charities exist at all?

This pained, bewildered question was posed in the *response* to *Mr* Kenneth Clarke's Budget from the Charities Tax Reform Group, which represents many of the largest voluntary organisations.

The immediate cause for alarm was the absence of any specific new financial support for charities in the Budget, and in particular the government's failure to address the burning *question* of irrecoverable VAT which costs the sector nearly £350m a year.

But the comment also signifies a wider sense of frustration over whether any comprehensive strategy for charities exists at all. Government policies *are pushing the* voluntary sector into mainstream welfare service delivery, while many of its leaders feel that the financial and structural implications are not being fully addressed by either ministers or some charities themselves.

1993 is closing *dramatically* for the sector. Voluntary Action, a report by a group of former advisers to the Home Office voluntary services unit (the Centris report) proposed in October that charities should literally not exist at all, with *recommendations for* abolishing charitable status and tax relief. The report argued that charities funded through contracts with the public sector had surrendered their *independence*, and advocated a clear split between charities delivering services and campaigning organisations.

The government reacted with immediate assurances that tax relief was safe, but broader issues raised in the report will not disappear. As Mr Michael Howard, home secretary, *commented last* month, the report had "stimulated a discussion on the very nature of voluntary activity."

Some leading figures in the sector believe this debate, in the context of the changing shape of the welfare state, is so significant that there should be a royal commission on the voluntary sector.

As with any other sector of the economy, finance dominates the immediate issues facing charities. The recession has had the inevitable effect of curtailing income growth. But, according to the Charities Aid Foundation, all charities have *not been equally affected*: the very biggest organisations gained at the expense of the rest.

While the largest 200 fundraising charities saw their voluntary income grow by 4 per cent in real terms last year; *medium sized ones suffered* a 9 per cent reduction.

The same pattern applied to income from government and local authority fees and grants, rents and investments. This rose by 5 per cent for the biggest 200, while *falling* by 16 per cent for charities in the medium-league 200-400 size bracket.

Financial pressures, combined with stricter requirements on trustees under last year's Charities Act, are forcing charities of all sizes to give top priority to the performance of their investments.

Under the act the Official *Custodian, a public official* who handled the investments of many smaller charities, is returning them to the charities in a staged exercise to 1996. Many of these organisations are being attracted to common investment funds (CIFs), a unit *trust arrangement for charities* operated by fund managers.

The first decision for charity trustees lacking previous experience of dealing with fund managers is between choosing a charities specialist or one of the *large investment groups*. Not surprisingly, both work hard to persuade charity trustees that there is only one choice they could sensibly make.

Viscount Churchill, a director of Church, Charity, and Local Authority Fund Managers – one of the specialists – says: "We have long experience *of investing for charities and* churches and find that our dedicated interest is appreciated by clients. Our staff are particularly well equipped to deal with questions arising from particular legal restrictions facing charities and ethical *and other concerns*.

Big organisations also have teams of charity specialists on their staff. While stressing the benefits of a large group, they are anxious to demonstrate that their interest is not con*fined to large charities*.

"We recognise the need to cater for smaller charities without full-time finance managers, and offer a personal investment management service with access to a fund manager, to charities with as little as £20,000 to invest," says Martyn Bensley, head of Fleming Investment Management's *charity division. As a spin off*, Mr Bensley offers small charity clients free places on management training courses run for Fleming's own staff.

Parts of the Charities Act are being phased in, and it had been expected that regulations *covering professional fundrais*ing, reports and accounts and collections would be introduced between March and December next year. At least some of these – and the publication of a final version of the *Charity Commissioners' SORP* 2 recommended accounting practices for charities – will be *delayed. The government has* decided to await the outcome of a deregulation task force examining charities.

While a tighter legal structure may help increase standards of efficiency and integrity, it will not provide a *short-cut to solving immediate* financial pressures.

Charities are particularly concerned that they cannot recover VAT even in circumstances where local authorities that provide identical services do not pay it, and had lobbied *the Chancellor for a rebate sys*tem similar to a Canadian one. Not only did the government *fail to respond*, but *this* year's two budgets will increase financial burdens on charities.

The National Council for Voluntary Organisations esti*mates that VAT on power and* cuts in tax credits on dividends will cost the sector around £100m a year. Increased petrol duty will bring a bill for £29m, while transferring sick pay to employers will cost around £20m.

This year's community care reforms have seen charities drawn further into the provision of services that were once a public sector monopoly. The British Red Cross, for example, *provides aftercare at home for* people released from hospital, medical equipment loan services, patient escorts and transport under contract to local authorities.

The British Red Cross community programme depends greatly on volunteers, and is a good example of the way in which charities are seeking to mobilise the support of voluntary workers in far more sophisticated ways than simply *rattling tins on flag days*. Volunteers working on the British Red Cross's Home from Hospital scheme, which supports dependent patients after discharge, undergo training including body mechanics and mobility, emergency life support and hygiene practice. Some are being trained for specialised tasks like administering eye drops and catheters.

Volunteering is something the government is keen to *encourage, and Mr John Major*, the prime minister, recently announced plans to establish a national network of volunteers. From next year, local organisations will be able to submit bids under a new government-sponsored grant scheme for projects that increase the scale and impact of voluntary effort. Mr Major *also intends to double the* number of awards for voluntary service in future honours lists to 300.

Involvement of charities in the delivery of services is a reality and will grow. But two concerns remain.

One is financial – a report last month produced by three charitable groups after consul*tations with Whitehall depart*ments warned the government not to place additional burdens on the voluntary sector without making adequate resources available.

The second issue is ethical, and raises the questions about *the "very nature of voluntary* activity" referred to by Mr Howard. Do charities that rely on government *finance lose* their independence? How businesslike can a charity become? While there is obvious need for managerial and financial efficiency, there are signs of public aversion to over-commercial fundraising techniques and charity shops that imitate High Street retailers. And will volunteers continue giving their *free time to huge, businesslike* charities engaged in open competition to win public sector contracts?

There has been a 20th century tradition of public bodies providing mainstream welfare services, and charities acting as the advocates of the service recipients. The government's purchaser-provider split in *health and community care* has begun to reverse that process. Local authorities and health authorities are becoming the champions of the consumer, and unelected charities and arms-length trust hospitals and community units the providers of services.

Some voluntary sector leaders think the implications of *that issue alone are profound* enough to merit the attentions of a royal commission.

IN THIS SURVEY

Bethan Hutton looks at investment restrictions

Gilts swallow funds

The Charities Act 1992 was much heralded at the time. It seemed to promise a new era of investment freedom for charities restricted by the 1961 Trustee Investments Act.

More than a year later, however, there is still no sign that the out-dated requirement for charities to invest most of their funds in gilts will be lifted in the near future.

The Trustee Investments Act (TIA), which in its day was a liberalising measure, requires charities' investments to be split between "wide" range vehicles, such as UK equities (but only those passing certain conditions) and UK authorised unit trusts, and "narrow" range, which is basically UK gilts. No more than half can be in the wide range.

It has been estimated that hundreds of millions of pounds of potential investment returns have been lost since 1961 because of the underperformance of gilts relative to equities. Nigel Siederer, director of the Association of Charitable Foundations (ACF), which has been lobbying for a broadening of the investment rules, says that if a charity had put half its money in gilts and half in UK shares in 1961, it would now find that it had about 85 per cent of its funds in shares, because of the comparative growth rates.

The 1992 Act gave the Home Secretary the power to relax these restrictions as he saw fit. This was expected to mean a swift move to allow charities to invest a smaller portion of their funds in gilts, and more in equities, including overseas equities, which tend to perform better over the long term.

"The division should be moved from 50/50 to 90/10 – but we would rather see it done away with altogether"

But the Act also stipulated that changes were only to be made with Treasury approval. Cynics may argue that a Treasury with a large deficit to finance is unlikely to welcome a change in the law which will almost inevitably lead to a flood of gilts on to the market. Whatever the motivation, there has been no indication from the government that relaxation is imminent.

The ACF has been consulting charities about what form any changes should take. Mr Siederer's view is radical: "If possible we would like the whole notion of division of funds done away with. It seems much better to look at requiring charities to take proper advice."

As a compromise, he looks to the model of pension funds. "Pension funds, which are in a very similar position, will tend to keep 5 to 10 per cent of their money in gilts anyway, but not very much more than that. We are actually suggesting that the division should be moved from 50/50 to 90/10, but we would rather see it done away with altogether."

It is not known exactly how many charities are restricted by the TIA, but it is thought to be about a third of the total. The TIA provisions apply only to charities whose constitutions do not specify their investment remit. Most of the larger, better known charities which may originally have been bound by the TIA, have found it worth their while to go through the procedure of asking their trustees to agree a change in their constitutions, to allow investment managers a freer rein.

The TIA is not the only source of investment constraints. Many charities have a need for regular income from their investments, which can be very difficult to meet in the current investment climate, with its low interest rates. This has coincided with the tail end of the recession, with its impact on grant income and donations, to make more charities worried about the income they are earning from their funds.

"The fixed proportion of income they require is set sufficiently high to make the normal type of fund, with a high proportion in equities, inappropriate, so they need more in fixed interest type assets," says John Harrison, of Fleming Investment Management.

This is still going to be the case for many charities even if the TIA restrictions are relaxed. "More liberalisation these days must be sensible," says Andrew Hind of Barnados, who is also chairman of the Charity Finance Directors Group. But he adds: "It is dangerous to think of charities as a homogenous group. There are still going to be a large number of endowed charities for whom income is the key thing. If you cannot touch the capital, there is no point in having wonderful capital growth in equities, if that is not available to you to meet your commitments."

In the period leading up to last year's crisis in the exchange rate mechanism, unconstrained charities also started to look abroad for income. "The proportion of investment in overseas bonds has grown quite markedly over the last 18 months or so," says Mr Harrison. "Overseas bonds were almost unheard of in charities' portfolios two years ago, but are a fairly high proportion of the total now – about 6 per cent." However, now that sterling is no longer so overvalued, he expects that proportion to decline. "Sterling is where the expenses arise."

Mr Harrison sees an historic tendency for charities to shadow pension funds in their investment patterns, and for that reason he suspects that the holding of overseas equities may grow: the average pension fund is 28 per cent invested in overseas equities, whereas unconstrained charities have on average only 24 per cent in overseas equities.

Mr Hind sees it in a different light. He thinks the way that the charities act has highlighted trustees' responsibilities could make them more conservative in their investment attitudes, pushing them away from overseas equities and other investments which could be seen as in the least risky.

"Trustees are likely to want to play it safe even more than they did before. Perhaps the impact will be felt in terms of the selection of fund managers," Mr Hind suggests. Trustees could feel uneasy about justifying the use of anyone but the leading fund managers. "I think we may see a concentration of portfolios into the big five or 10, in a way that we have not seen before."

One result of the 1992 Act which is already becoming visible is the winding down of the office of the Official Custodian, whose role was to administer the investments of thousands of charities, dealing with day to day dividend payments and so on.

TOP TWENTY FUND RAISING CHARITIES

92	91	90	89	Name	Total voluntary income £000	Covenants £000	Legacies £000	Charity shop income £000	Fund raising income £000	Central & local gov fees £000	Central & local gov grants £000	Net assets £000
1	6	7	5	Save the Children Fund *	70,399	-	6,857	2,122	16,699	-	26,020	27,994
2	1	1	2	National Trust *	65,207	27,705	22,259	-	-	917	8,573	354,617
3	3	2	3	Royal Nat Lifeboat Inst*	55,791	1,699	39,665	-	9,769	-	-	148,607
4	2	3	1	Oxfam *	53,254	12,183	5,288	18,895	275	-	7,029	27,258
5	4	4	4	Imperial Cancer Research								
5	4	4	4	Imperial Cancer Research *	47,495	720	33,927	5,631	3,468	-	-	91,959
6	5	5	6	Cancer Research Campaign *	40,945	351	29,170	1,424	2,800	-	-	38,596
7	10	8	9	Barnados *	34,510	2,196	15,443	740	-	29,661	837	128,144
8	11	11	15	RSPCA *	32,981	-	23,741	-	-	-	-	78,347
9	7	6	7	Salvation Army *	31,407	-	15,654	-	-	1,052	318	184,300
10	9	9	12	Help the Aged *	29,039	987	5,806	697	-	-	486	23,396
11	8	14	16	British Red Cross Society*	27,852	869	7,536	1,748	1,627	226	10,711	57,728
12	12	13	10	NSPCC *	27,939	-	7,054	-	-	-	2,532	29,211
13	17	18	18	Christian Aid *	26,406	3,298	2,875	-	-	-	10,050	8,745
14	15	12	14	British Heart Foundation *	25,728	473	15,034	730	5,780	-	-	49,126
15	13	10	13	Guide Dogs for the Blind *	25,238	344	17,439	-	4,331	-	-	150,707
16	16	15	19	Royal National Institute for the Blind *	24,942	194	17,059	-	-	14,388	200	84,097
17	18	22	24	Cancer Relief Macmillan Fund *	24,853	1,819	7,794	69	2,720	-	2,657	15,736
18	19	20	21	ActionAid *	23,084	12,806	61	-	1,493	-	3,798	10,897
19	24	23	27	RSPB *	21,883	1,240	7,234	-	1,221	-	605	36,308
20	23	17	11	Spastics Society *	21,502	878	4,789	4,584	1,124	26,836	2,382	26,317

* denotes figures confirmed by charity

Source:

Competition among the banks for charity accounts is hotting up, reports **Alison Smith**

Good cause to cut some charges

The good commercial news for charities is that competition among the main banks for their accounts is hotting up. The less good news is that this has not – not yet – translated into free banking for all.

But the competition is far from over. Last month, Girobank launched an aggressive campaign with the somewhat over-stated claim that the high street banks had effectively ended free banking for fund raisers, while the TSB started an account aimed at charities.

Another bank has just carried out a direct mail exercise intended to entice at least some of the largest of the 15,000 charities away from their current banks.

In August, the Co-operative bank produced two new accounts for charities. Lloyds has recently begun offering a "treasurers account" aimed specifically at people running charities or clubs.

Furthermore, after leaving its tariffs unchanged for some years, Midland is now planning to offer what it says will be a more competitive and "pro-active" deal in January.

Though the banks make little or no money from charities and clubs – indeed, they emphasise that their aim is not to make a profit out of good causes – the sector is so large that the main banks cannot afford not to be in it at all. Banks want their market share.

Fundraising events produced 14 per cent less income last year than in 1991, but charity shop revenue increased by 16 per cent *Picture: David Reed*

To some banks, such as the TSB or the Co-operative, the sector is particularly important, either because of their background as a mutual institution or because of the particular style of banking they are selling. Midland is offering the new deal as part of its strategy of becoming a more "community-based" bank.

Unless the charity concerned is a large organisation, banks are unlikely to offer much in the way of sophisticated financial services. While some banks offer advice to people setting up or taking over small charities, most seem to feel that what most charities want is a "no nonsense" cheque account, with perhaps a deposit account or some interest on the credit balance.

The largest charities are treated very much as businesses, and the banks say that they accept that they should pay for the services they receive.

Those services, and the charges they pay, are negotiable. Negotiation with a branch manager is also available to small charities or organisations to try to improve the deal being offered by the banks.

So for small charities, free banking is available on the high street, but may involve some shopping around and hard bargaining. You also need a clear picture of how your organisation works: for example, whether it draws a lot of cheques, or is able to maintain a steady credit balance.

Brownies or the cricket club can also qualify for almost all the ranges of bank accounts available for charities

You may well not have to be one of the (PIKE TO INSERT FIGURE) registered charities to benefit from banks' professed desire not to make a profit out of good causes. Other fund-raising activities or communal activities – such as Brownies, or the cricket club – can also qualify for almost all the ranges of accounts available for charities.

Only the TSB, so far, has restricted its latest offer to registered charities, and even that may be widened over time. But the more controversial your cause, or the more purely social the organisation, the less flexible the bank is likely to prove if the terms for free banking in the account are not met.

Banks generally make a sharp distinction between their charitable donations and their charitable banking: so should charities. The fact that your charity or cause has received some money from a local branch should not incline you to bank there unless it really offers you the best deal.

On the other hand, if you have a bank manager involved in running your organisation, you have a good chance of getting a good deal from his or her bank. (If you have more than one, you may be able to run a competitive tender for who gets your business.)

The right sort of account to get free banking will depend most heavily on the level of credits and amount of activity going through an account.

Lloyds estimates that about 85 per cent of all charities and clubs carry out fewer than 10 transactions a month. This is fortunate for charities if they bank with Lloyds. The treasurers' account offers free banking and some interest if the number of withdrawals is lower than 10 a month, but after that the cost per withdrawal is £2.00.

Other high street banks have similar limits on withdrawals: Midland currently offers free banking if in credit and fewer than 25 debit items a quarter, with a charge of 74p per item beyond that.

Barclays has no published guidelines as such. It leaves to the discretion of managers whether or not they should charge (after the one year's free banking offered to all charities and clubs).

For a good cause, the broad guidance to managers would be to provide free banking where there are up to about 15 transactions a quarter, although if a steady balance was maintained, then more transactions could occur before charging.

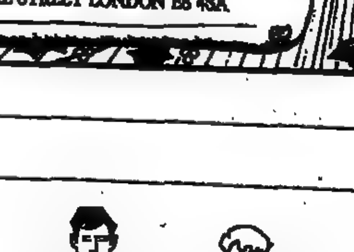
At both Barclays and at the National Westminster bank, the prevailing emphasis is on the local manager's discretion, so the approach could vary even between different branches in the same town – another argument for shopping around.

Nat West says that it tries to do no more than cover its costs, and estimates that, at current interest rates, £1000 in an account over the year would support about 100 entries through the account.

All the banks emphasise the discretion of the local bank manager and the need for flexibility in this area. Unless a charity has been extremely badly run, a bank is unlikely to want to risk bad local publicity by charging for a slight over-stepping of the numbers of transactions, or a slight drop in a credit balance below the minimum level for a particular type of account.

It is worth ensuring that the inertia that affects many people's attitude to personal banking does not apply to a charity

All this means that, quite apart from general reasons for change (such as a new treasurer taking over), it is worth ensuring that the inertia that affects many people's attitude towards their personal bank accounts does not apply to a bank account in the name of a charity.



CHARITIES INVESTMENT AND FINANCE III

Alan Pike analyses the Centris research project

'Social market' will join the economy

Voluntary Action, a report published in October by the Home Office for the Centris research project, will be best remembered for two things.

First, its remarkable recommendation that charitable status and accompanying tax relief should be abolished. Second, the speed and force with which the government, at the level of speeches by the Prime Minister and the Home Secretary, distanced itself from the report and assured charities that tax relief was safe.

So critical was the response to the report's plans for ending charitable status and tax relief that it diverted attention from the remainder of its contents, which recognised that the voluntary sector is undergoing fundamental change as a growing number of charities deliver welfare services financed by public contracts.

The time had come, suggested the report, for such charities, National Health Service trust hospitals, and opted-out schools, housing associations and private sector companies involved in social activities, to be linked in a redefined third sector of the economy, or social market.

"The new economy would be regulated, controlled and promoted in various ways, and a key feature of it would be that there would be sufficient coherence to call it a third sector. Much service delivery, both at local and at national level, presently in the public, private and voluntary sectors, could go into it."

The Centris report reflects a growing interest in the social market or social economy, a concept which traditionally has had less clarity in the UK than some other European Union countries, such as France. Publication of the report coincided with a forum on the social economy organised by Unity Trust Bank, which brought together representatives of a wide range of organisations that could fit within a definition of the social economy.

As speakers at the forum acknowledged, the first hurdle – definition – is not a easy one to jump. If all potential candidates were included, the social economy could encompass building societies, provident private health insurers and co-operatives, as well as charities, housing associations, trust hospitals and similar organisations.

Mr Paul Ramadier, an EU official, told the Unity Trust seminar that on such a broad definition, social economy organisations were of enormous economic and social importance. There are 100m members of insurance and healthcare mutuals in Europe, and social economy enterprises account for 20 per cent of European savings. The co-operative sector has 60m members and has provided 3m jobs.

Mr Ramadier identified two social issues, unemployment, and the increasing proportion of elderly people in the population, as examples of areas where the contribution of organisations from the social economy would increase. "The resources of the whole community will need mobilising, and in my view that can only be done through social economy organisations."

The seminar described social economy organisations as those "engaging in economic activity to fulfil primarily social, mutual or community objectives." While resisting a tighter definition, delegates agreed that it would be helpful if policymakers took the sector's contribution more seriously. There are plans for an annual social economy forum with a standing committee, and an exchange of ideas and information.

A concern expressed at the Unity Trust seminar was that there was a "damaging association of not-for-profit organisations with inefficiency" – a particular concern in the voluntary sector. Many third sector organisations believe their managerial skills stand up well to public or private sector comparison, and are looking for ways of spreading this message.

Top 10 grant-making trusts 1991/92*

Position	Name	Grants (£000)
1	Wellcome Trust	92,300
2	Tudor Trust	20,234
3	Royal Society	17,383
4	British Academy	16,350
5	Wolfon Foundation	14,913
6	Gatsby Charitable Foundation	13,701
7	Henry Smith (Estates Charities)	11,687
8	Leverhulme Trust	10,549
9	City Parochial Foundation	8,687
10	Baring Foundation	7,938

*Excludes UK branch of the Calouste Gulbenkian Foundation, a Portuguese charitable foundation
Source: Charities Aid Foundation

Companies giving £5m or more to charity 1992/3

Charity	Total corporate support (£000)*
Abbey National	6,020
Barclays	7,520
British Petroleum	11,000+
BT	14,646
ICI	5,500
Marks and Spencer	5,800
National Westminster Bank	10,202
Shell UK	5,523
Unilever	5,000

*Includes cash donations, value of sponsorship, secondment and other forms of support
Source: Charities Aid Foundation

Fundraising and funding

How to run a one-off appeal

Since she spearheaded the Wishing Well Appeal for redeveloping London's Great Ormond Street children's hospital, Marion Allford has found herself a popular target for voluntary sector staff seeking tips on fundraising.

This is hardly surprising. The Wishing Well was one of the most remarkable and successful single-issue appeals ever mounted in the UK. Launched in October, 1987, the fundraising campaign, made famous by its logo of a child's face smiling through a tear, had reached its original £30m target by January 1989 – with no sign of the flow of money it had unleashed, abating. It closed in June, 1989 – a year ahead of the original schedule – having raised £54m. This rose to £84m when interest and contributions from public funds were added.

Many charities have developed sophisticated methods to combat the effects of recession

Ms Allford, a fundraising consultant who specialises in charity appeals, has now shared her experience in *Charity Appeals – the Complete Guide to Success**, a manual published in association with the Institute of Charity Fundraising Managers and with the support of Business in the Community.

The book – net royalties will go to Great Ormond Street – is far more than a description of the Wishing Well experience. It is a thorough, comprehensive guide to running one-off capital appeals, giving detailed advice across such wide-ranging aspects of fundraising as donor research, insurance, media events, lotteries, budgeting and commercial partnerships.

Ms Allford acknowledges that the Wishing Well's emotional cause, sick children, was one that few other charities could rival in terms of its potential for gaining public support. Since the Great Ormond Street success, two other hospitals – the Royal Marsden cancer hospital, London, and the Royal Hospital for Sick Children, Edinburgh – have, with advice from the Wishing Well team, adopted similar appeal strategies with positive results. They raised £25m and £11m respectively.

One-off appeals for single projects – whether on the scale of big hospital appeals or to repair the organ of a village church – are a particular, specialised sector of charitable fundraising. They need to make immediate impact and reach their financial targets relatively quickly. Established charities face different fundraising requirements, and many have developed increasingly sophisticated methods to try to combat the effects of the recession.

Techniques such as direct mail, now often conducted on charities' behalf by agencies, became common in the 1970s and 1980s. They have recently been complemented by attempts to target potential donors more precisely and develop long-term relationships with them. There is also a trend towards affinity marketing campaigns, linking charities' names with credit cards or commercial products.

Professional, business-style fundraising techniques are usually only available to big charities with substantial fundraising budgets and, at a time when there has been little overall growth in total giving, this may help explain why the largest charities are performing against the trend. Charities Aid Foundation figures published last month show that Britain's 200 biggest charities increased their total income by 4 per cent in real terms in 1991-92. In contrast, those in the 200-400 size bracket suffered a 9 per cent decline.

The CAF research reveals some striking recent changes in sources of charities' voluntary income. Fundraising events produced 14 per cent less income last year than in 1991. Revenue from charity shops, by contrast, increased by 16 per cent.

Corporate support – both financial and in terms of staff secondments, expertise and other assistance – forms a central part of many charities' plans. This, like many other areas of fundraising, has been affected by the recession. The CAF survey shows that only nine companies gave more than £5m to charity in 1992-93, compared with 13 the previous year.

Many charities, particularly smaller ones, often face serious problems meeting core funding – donors are generally more willing to finance particular charitable projects and campaigns than to meet the basic running costs.

Core funding difficulties can sometimes drive charities to closure. Trustees of the National Council for Child Health, the only charity promoting immunisation and preventative health care in children, decided at an extraordinary meeting last month to wind up the organisation. The charity had failed to persuade grant-making trusts or private sector donors to contribute to its core funding after a three-year government grant had come to an end.

Mediation UK, which promotes mediation rather than resort to the courts as a means of resolving disputes, has warned that it will have to dismiss Ms Marian Liebmann, its director, in February unless new funds are found. Ms Liebmann says charitable trusts that financed Mediation UK's launch are not prepared to continue providing core funding, and that the charity's executive committee is spending so much time fundraising that it cannot provide an adequate service.

The problem is finding funds to continue supporting projects once they have been launched

The problem of finding funds to continue supporting projects once they have been launched was highlighted last month by the Church Urban Fund, the only national grant-making charity working exclusively in the inner cities and peripheral estates.

In a report to the general synod of the Church of England, the fund – which normally makes initial grants for between three and five years – said it had expected that worthwhile social projects "would be picked up by state or local government funding, and that some activities would be taken on to a parish's or diocese's ordinary funds."

Such developments had occurred much less than expected, and the Church Urban Fund will now have to introduce mechanisms to evaluate claims for established projects' continued funding against the needs of emerging schemes.

"We have to try to ensure both that worthwhile current work is not cut prematurely short, and also that creative new activity is not stifled," says the report. The issue is one of the central dilemmas facing all organisations funding the voluntary sector.

Charity Appeals – the Complete Guide to Success by Marion Allford, J M Dent, £15.99

Alan Pike

Alan Pike profiles a golden jubilee north of the border

Scots are squeezed

The Scottish Council for Voluntary Organisations is celebrating 50 years of activity co-ordinating and supporting the work of charities north of the border.

"Fifty years on, many issues remain remarkably unchanged," comments Mr Martin Sime, the council's director, in its golden jubilee report. Many items on the list of issues that half a century has failed to change are summed up by Mr Sime in the words "inadequate funding."

Scottish charities, like those elsewhere in the UK, have recently been affected by the impact of the recession on individual and corporate donations and the continuing squeeze on public spending. But there are factors that place particular financial pressures on the Scottish voluntary sector.

While some household name organisations like Barnardos and National Children's Home operate on both sides of the border, many other large charities do not.

Most of Scotland's charities are purely Scottish based. This almost invariably makes them smaller than their English counterparts – and size is an important component of success in modern charity fundraising.

Charities Aid Foundation figures show that, while the top 200 fundraising charities increased their income last year, smaller ones suffered a drop. Only a handful of specifically Scottish charities are in the top 200.

The problem for the Scottish voluntary sector of charitable fundraising being dominated by big names is compounded by the fact that, although many of the largest charities do not provide services outside England and Wales, their advertising campaigns still attract funds from Scottish donors. There have even been examples of Scottish financial institutions entering sponsorship deals with charities that do not operate in Scotland.

Less than 5 per cent of grant money from trusts in the UK goes to Scottish causes

Scottish voluntary sector leaders believe that it is insufficiently appreciated that many "national" charities do not cover the whole UK, and that this also affects the level of support Scotland receives from London-based corporate head offices and grant-making trusts. Less than 5 per cent of grant money from trusts goes to Scottish causes.

The 1992 Charities Act does not apply in Scotland, where the sector is less rigidly regulated, and the powers of the Charity Commissioners do not extend there. There is anxiety that this may be about to lead to dubious fundraisers turning their attentions on Scotland.

"We are particularly worried about the abuse of telephone fundraising, which the act has tightened up in England and Wales," said Mr Sime. "There will be an enormous temptation for unscrupulous fundraisers operating in England to simply dial Scottish numbers instead."

While there are doubts among managers of Scottish charities about the appropriateness of importing the Charity Commission model from England, worries about the adequacy of Scottish charity law has prompted an SCVO campaign for a better regulatory framework.

Voluntary organisations provide a third of all training for the unemployed in Scotland, while 840 local voluntary sector projects are funded through the government's Urban Programme. This makes public funds particularly important to the sector.

Although the Scottish Urban Programme is not being run down – as in England and Wales – there are fears that money from its £80m annual budget will in future be diverted from supporting local anti-poverty and economic development projects to housing and other purely physical redevelopment activities. Without the strong social dimension that voluntary organisations can provide, argues the sector, physical regeneration cannot achieve its full potential.

Voluntary sector leaders are also concerned about the likely impact of local government reorganisation in Scotland, with the proposed abolition of the big regional councils. They seek transitional financial protection for regional voluntary organisations likely to face loss of funds and closure.

Scottish voluntary sector leaders share many common concerns with their colleagues elsewhere in the UK. These include worries about the extent to which the national lottery might undermine donations to established charities.

"Will there be much competition if someone is selling lottery tickets and someone else is shaking a tin?" says Mr Sime. "And the reality is that the Treasury will take twice as much in tax out of the lottery as charities will get from their share of its gross income."

A shared source of anger throughout the UK is over the weakening of charities' finances by having to pay VAT. Throughout this year's Edinburgh International Festival volunteers from the Waverley Care Trust collected money for its Milestone House Aids hospice. They raised around £5,000 – the same amount as the hospice's costs will rise by having to pay VAT on fuel bills.

A third area of concern, particularly strong in the relatively small Scottish fundraising economy, involves the extent to which high-profile one-off appeals distort public giving to the detriment of other charities. One such appeal, for a children's hospital, raised £11m and another for a children's hospice has now been launched with a £10m target.

"People are obviously entitled to give to whatever causes they choose, and there is no certainty that money donated to big, highly-publicised appeals would go to other causes," said Mr Sime. "But the voluntary sector has to try to find ways of encouraging donors, particularly statutory funders and grant making trusts, to become more strategic in their funding."

Some of the questions raised in the SCVO's jubilee report would not have been recognisable as issues to the council's founders 50 years ago.

Is there a definition of the voluntary sector that can embrace all the new agencies, like trust hospitals, as well as traditional bodies? Can the sector at one and the same time serve the purposes of government and maintain its independence? They are reminders of the extent to which the voluntary sector, in Scotland and the rest of the UK, is undergoing a period of rapid challenge and change.

More than a century after the Salvation Army began its work among the homeless and destitute, the need for its services remains strong. The army adopted Strategy for Change, a reappraisal of its services for London's homeless, two years ago; its recommendations are currently being implemented. These involve a £35m upgrading of all the army's existing facilities for the homeless in the capital.

Breaking the cycle of homelessness is central to the new approach. Self-containing flats will be provided to enable hostel residents to move into long-term accommodation, while Salvation Army social workers and volunteers have been trained in outreach work to make contact with homeless people on the streets.

The success of such work depends on a regular flow of income from charitable appeals, and this year has been a fraught one for the Salvation Army. It announced in the spring that it had lost about £8m "through the fraudulent activities of third parties." Police investigations, legal action to recover money, and inquiries by the Charity Commissioners are all continuing.

The events have not yet had a serious impact on the Salvation Army's fundraising – perhaps because its strong social service record is so established in the public mind – but such incidents send shudders through the voluntary sector. Although charity managers point out that even banks sometimes fall victim to fraud, they recognise that a single problem is likely to enhance the perception among some sections of the public that charities are run by amateurs.

For this and other reasons large charities are giving increasing priority to ensuring that they have professional management structures.

Robert Alldis considers investment management strategy

Independent advice needed

"Trustees with substantial sums to invest should consider appointing an independent investment manager to them in drawing up their investment policy."

This statement, taken from a Charity Commission pamphlet*, shows that the Commission is now actively encouraging charities to seek investment advice. Hymans Robertson, the consulting actuaries, estimates that at the end of December 1992, £13.047bn was under the management of the 25 leading investment firms offering charitable fund investments. Of that, £10.874bn is divided into 1,144 segregated accounts.

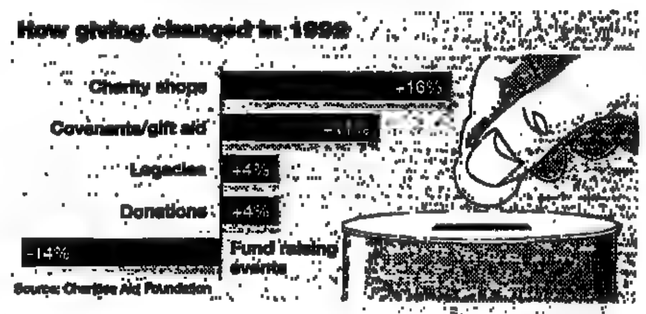
These sums are still small compared to the total funds managed in the pensions industry. But charities are making increasing use of the number and range of managed funds available. Two things show why:

First, the Official Custodian estimates that divestment back to the charities' trustees will take about five years (starting in January 1993). Trustees are now responsible – and liable – for the performance of their investments on behalf of the charity.

But many trustees and charity managers have neither the time (nor the knowledge) actively to manage their investment portfolios day-to-day: "All we want is an investment expert who we can trust so we don't have to worry every day whether a particular stock has gone up or down," says Ian Theodoreson, finance director of the Save the Children Fund.

Second, the need for a better investment return. Charities depend very much on contributions and fundraising (the top five by total voluntary income alone pooled more than £292m in 1992). But they are also big spenders (those same five charities spent £385.7m in the same year).

The shortfall has to be made up by sales of goods and services, government grants, rent and investment. But with the government trying to reduce its expenditure and income from goods and services and struggling in the recession, charities have become increasingly dependent on their investment returns.



Most of the big fund managing firms offer two main investment alternatives

● Segregated managed funds. These can start at any funding level, with minimum sizes of zero to £15m. Management fees, however, tend to be weighted against the smaller fund levels. For example, Fleming Investment Management fees start at 0.8 per cent for the first £5m, 0.4 per cent for the next £6m, 0.3 per cent for the next £25m and 0.2 per cent thereafter. Mr Paul Drake, head of the charity team at Baring Global Fund Managers, says it manages segregated funds for charities with funds in excess of £10m. "It is ludicrous for small and medium sized charities with less than £10m in segregated funds, to pay these fee levels."

The Charity Commission presents fund managers with the dilemma of how to protect the fund's capital while 'obtaining the best income'

Fee levels – not always comparable in terms of services offered – range widely. According to Hymans Robertson's survey, annual charges for managing a £5m fund ranged between £35,000 (top quartile) down to £20,000 (bottom quartile. For charities with £25m to invest, comparative figures ranged between £100,000 and £50,000.

● Common Investment Funds (CIF). CIFs are small in terms of the total amount invested relative to segregated funds, but they have grown in number and range since the divestment from the Official Custodian. The Charity Commission allows two investment alternatives – equities or fixed interest securities. From this, most fund managers are now offering three CIF investment products: UK equity, fixed income and overseas investments.

However, the Commission (stating its objectives for investing charitable funds) presents fund managers with the dilemma of how to protect the fund's capital while at the same time "obtaining the best income from those funds."*

As a rule, most fund managers tend to view equity-based portfolios as offering the best investment. "We have an important educational role to play in steering charities away from concentration of investment in monetary assets towards an equity biased strategy," says Mr Drake at Baring.

Mr Jonathan Maylin-Smith, fund manager at the Church, Charity and Local Authority Fund Managers (CCLA) says: "Charities should stick with an equity-based investment policy."

Overseas CIFs are becoming increasingly popular, but fund managers are not unanimous about their benefits. Flemings hopes to launch its overseas fund by the end of January 1994. Baring already has £7m-£8m in an overseas equity fund. Murray Johnstone Asset Management offers funds that have exposure to UK, US, Japan and South East Asian equities, fixed interest and smaller companies. Global equity and overseas equity vehicles are also available.

Some fund managers are not convinced that so many products are warranted: "Charities need income and overseas investment tend to offer lower income. And for most UK charities, distributing in the UK, it is difficult to contemplate an investment abroad," says one.

However, the spread of CIFs is unlikely to diminish. Baring, for instance, is now looking into the viability of a small UK companies fund, on the basis that the sector has the best prospects to benefit from an upturn in the UK economy. Ethical-based CIFs have also been mooted, but fund managers question if their returns will be adequate: "The legal position is quite clear. The trustee's primary responsibility is to maximise the return to the fund," says Mr Maylin-Smith.

But the range of UK equity-based investment alternatives has not been helped by changes in domestic tax law. In the last UK March Budget, the chancellor announced that advanced corporation tax (ACT) is to be reduced from 25 per cent to 20 per cent on dividends in two stages by April 5, 1994. As charities receive a tax credit on top of their net dividend income which they use to reclaim the ACT paid on their behalf, any reduction in the rate of ACT will result in a fall in their gross dividend return. Charities therefore stand to lose 5 per cent in dividend over the period.

But of those fund managers questioned, most were not too concerned: "Charities should not change their investment policy because of the changes in ACT. Equities have performed so well as the interest-rate cycle has turned down," says the CCLA's Mr Maylin-Smith (significantly raised dividends and enhanced scrip alternatives have also helped).

But at time when the Government is turning to charities to take up the slack from the welfare state, and when charity income is at a premium, says Mr Drake, "we have to acknowledge it is a negative."

* *Investment of Charitable Funds: Basic Principles CC14 - Charity Commissioners for England and Wales.*

Alan Pike previews the festive season – 1994

Christmas spirit never stops

Throughout December, the offices of the Charities Advisory Trust have bustled with the spirit of the Christmas after next.

The trust is one of the main promoters of charity Christmas cards and Hilary Blum, its director, is already deeply involved in thinking about designs that will go on sale for Christmas 1994.

Set up in 1979, the trust was established to advise charities on their trading activities. During the 1980s a growing number moved into various forms of trading, but the business skills for selling and marketing success do not automatically exist on the staff of charities.

Christmas cards were the trust's first venture. Ms Blum's aim has been to improve the service, quality and income that charities receive from card operations, and she has consciously driven the trust's range to the top end of the market to improve margins.

The trust's Card Aid outlets now sell tens of millions of cards a year, although Ms Blum says that smaller charities able to sell at least 500 packs can sensibly have their own cards.

The trust's most recent venture has been its Museum Stores in London, which sell reproductions of items in museums and art galleries around the world. The first store opened in 1988; two more have been launched this year.

Ms Blum's staff have also helped real museum shops. Birmingham City Museums and Art Galleries asked the trust to revive the fortunes of its retail outlets, which were losing £100,000 a year – now returned to profitability.

The trust operates on basic business principles of avoiding waste. "That even applies when I am away from London on business," says Ms Blum. "I don't just walk around the local art galleries for pleasure – I'm always looking out for new ideas for Christmas cards and the Museum Stores."

LONDON STOCK EXCHANGE

MARKET REPORT

Equities hold steady as the new account opens

By Terry Byland, UK Stock Market Editor

Share prices put on an encouraging performance yesterday in the first session of the extended three-week Christmas trading account in the UK equity market. Some profits were taken but the final reading of minus 6.7 points on the FT-SE 100 Index was less than the technical downward adjustments required by dividend payments on stocks in the Footsie 100-share list. Earlier in the session, the Footsie had bounced from the 3,248 area to end the day at 3,254.6.

Ex-dividend adjustments bedevilled the market in early dealings, when some traders claimed that the Seaq screens were slow to disclose the technical fall in the market. After edging ahead by nearly 7 Footsie points at first, the market drifted lower until taking a body blow from Fisons. The drug and scientific equipment group announced a dividend cut, along with restructuring moves and the departure of the chief executive.

Other factors subduing equities included the looming deadline for a solution of the Gatt world trade dispute and the prospect of expiry on Friday of the December contract on the FT-SE 100 Index, which has played such a significant role in leading the stock market recently.

The premium on the December future contract, which has to be in line with the stock market on Friday morning, was reduced yesterday, but the March contract, which will take over from December as the futures leader, remained at a good premium against cash.

Account Dealing Dates		
*First Dealings:		
Nov 29	Dec 13	Jan 4
Option Declarations:		
Dec 9	Dec 30	Jan 13
Last Dealings:		
Dec 10	Dec 31	Jan 14
Account Day:		
Dec 20	Jan 10	Jan 24

*New time dealings may take place from two business days earlier.

London was also cautiously in line with continental European bourses, which were awaiting the meeting on Thursday morning of the Bundesbank policy council in the hope of a cut in German interest rates. However, London's confidence that UK base rates will be reduced early in the new year appeared undisturbed.

Buyers continued to push the second line stocks ahead and, in spite of the heavy fall in Fisons shares, the FT-SE Mid 250 Index closed 6.3 up at a new peak of 3,607.6. Traders reported a programme deal, worth around £100m, across the range of equities.

Seaq volume dipped to 653.8m shares from the 862.5m on Friday, when retail business was worth £1.8bn, well to the top end of this year's daily ranges. Retail business topped £6bn last week, confirming the highly profitable levels of activity in UK equities.

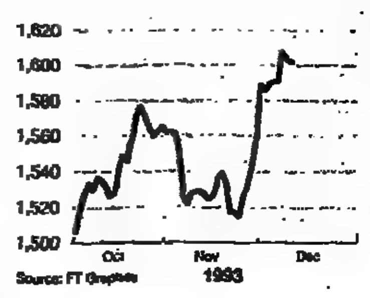
The stock market was helped by a recovery in major oil stocks behind a rally in crude oil prices. Buyers appeared from London early in the session and were joined later by US investors. Pharmaceutical stocks were also in good form.

The strongest features at first came in utilities, where electricity generating groups scored further advances after London Electricity announced a significant increase in the dividend payout. However, initial gains were reduced.

Uncertainty over the outlook for interest rates in Germany weakened several construction issues. Among the sectors closely linked to domestic interest rates, however, stores did little more than shade easier in unimpressive trade. Brewery and consumer sectors, too, gave up no more than a few pence.

Traders commented that the Christmas mood had begun to show itself on the stock market. Although confirmation of a satisfactory outcome to the GATT talks in Geneva will help sentiment, trading volumes are expected to slacken once Friday's futures expiry is out of the way.

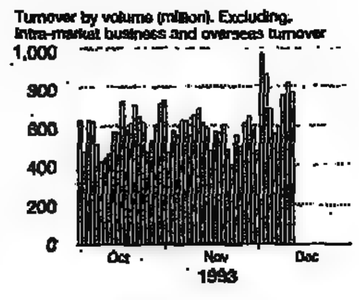
FT-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT SE 100	3254.6	-6.7	FT Ordinary Index	2453.3	-6.3
FT-SE Mid 250	3607.6	+6.3	FT-A 500 p/e	20.45	(20.47)
FT-SE-A 350	1621.2	-2.0	FT-SE 100 Fut Dec	3259.0	-9.0
FT-A All-Share	1601.33	-1.73	10 yr Gilt yield	6.32	(6.81)
FT-A All-Share yield	3.54	(3.54)	Yield ratio:	1.92	(1.92)

Best performing sectors

1 Water ... +1.7
2 Oil & Gas ... +1.6
3 Packaging, Paper & Pr ... +1.0
4 Motors ... +0.8
5 Food Retailing ... +0.7

Worst performing sectors

1 Other Industrials ... -1.7
2 Telephone Networks ... -1.2
3 Engineering-Aerospace ... -1.0
4 Building Materials ... -0.8
5 Electronics ... -0.7

Fisons down on warning

Bad news continued to surface at Fisons as the pharmaceuticals group announced that it expected no profits this year and was sacking its chief executive, Mr Cedric Scroggs. The one-time Footsie company saw its share price slide 24 to 113p, its lowest level for more than nine years. Turnover was unusually high at 25m shares as investors rushed to sell.

Part of the trading volume was said to have been prompted by a block of 1m shares dealt at 138p as part of a programme trade – unfortunately on the buy side.

The company said it was writing off £28m to cover a change in trading policy and would take a £16m charge on its scientific instruments division. It would also have to pay out for management consultancy and job cuts. The net effect would be to reduce 1993 prospects from £100m to zero. Forecasts for 1994 were cut back by around £20m, to £100m.

Standard & Poor's, the US credit rating agency, placed its A-1 Fisons rating on Credit Watch. Mr Nigel Barnes of Hoare Govett said: "It is a real mess. I would steer clear of Fisons, although it has some yield advantages now and could be back in the bid target range once the rubbish is cleared." The group has been hit on previous occasions by profits warnings and management changes over the past two years.

Recs strong

A 32 per cent interim dividend increase by London Electricity – by far the biggest rise in the recs' interim reporting season to date – took the market by surprise and saw the group's shares hoisted to a record 655p at the outset of trading.

Even the most optimistic analysts had been expecting an increase of nearer 20 per cent. However, the accompanying statement with the figures said that the company is rebalancing its interim and final dividends, shifting from 30 per cent and 70 per cent to a one-third/two-thirds ratio. This took the early shine off the shares and they slipped back to close unchanged on the session at 644p.

London is the latest among a number of the electricity companies seeking to rebalance their dividend payments. Last week Eastern, Midlands and East Midlands all announced dividend rises in the region of 20 per cent.

Other electricity shares mostly moved similarly to London, making rapid progress at the outset before slipping back. Midlands was an exception, touching a peak 695p, before closing 5 ahead at 694p. Northern Ireland Electricity, the best performing stock among the utilities last week when the shares jumped 18.5 per cent, added 7 at 257p. Southern Electricity, due to report this morning, is expected to boost its interim by at least 20 per cent. The stock finished 4 cheaper at 672p.

Southern Water, also reporting this morning and expected to increase its interim by a much more sedate 8.4 per cent to 7.7p, appreciated 11 to 648p. This mirrored general switching operations by the institutions, out of the recs and into the recently underperforming water issues. The latter were also boosted by news that the European Commission is diluting its directives on moves on water quality and waste water treatment.

Glaxo bucked the market trend as confirmation of a joint marketing agreement was seen as paving the way for a batch of good news over Christmas. The shares rose 4 to 686p.

The pharmaceuticals group released anticipated news that it had formed a joint venture with Warner-Lambert, of the US, to develop and sell over-the-counter versions of Glaxo drugs, particularly Zantac, its ulcer treatment and biggest seller.

The company is also expected to be the main beneficiary of the traditional end-of year approvals for drugs by the US Food and Drug Administration (FDA). Analysts expect the FDA to approve a tablet form of Glaxo's migraine drug Imigran (known as Imitrex in the US) as well as Serevent, its asthma drug. Goldman Sachs forecasts Imigran sales will hit £750m by 1997 from £116m in the year to June 1993.

Bank shares, among the market's best performers last week, suffered from general lack of interest and sporadic bouts of profit-taking for much of the session, but picked up well in the last half-hour. TSB was outstanding, the shares approaching their all-time high and eventually standing a net 5 up at 248p on 4.6m traded.

Insurance issues featured in the day's big programme trade. Royal moved up 5 to 323p, although there were hints of possible end-of-year window dressing in the shares.

Housebuilder Berkeley Group raced up 20 to a year's high of 480p as the market registered its approval of a sparkling set of interim figures.

SmithKline Beecham clawed back from earlier weakness on news that the Department of Health had granted it a licence to market Famvir, a new anti-viral compound for treating herpes. The shares ended unchanged at 375p.

Meanwhile, Wellcome rebounded from a big fall on Friday. The stock gained 12 at 639p, with some investors squaring positions ahead of the company's annual meeting on Thursday. BZW was said to have recommended the stock.

Chemicals company Croda International receded 5 to 338p as Hoare Govett downgraded from a buy and recommended taking profits.

NatWest Securities was largely responsible for driving the recently depressed oil sector sharply better. The broker said oil share prices already discount unsustainably low oil prices, especially BP, which it said "now discounts an unrealistically pessimistic long term oil price of around $14". BP shares moved up 9 to 324p.

Dull results from Greene King saw the shares retreat 15 to 553p and prompted a series of downgrades from drinks analysts. Most pulled their full-year forecasts back to the £21m level, a decrease of around 8 per cent. They also said that the group's struggle to defend its market share was likely to put a renewed bid for Morland – in which it still retains a 29 per cent holding – off the agenda. Morland shares reflected this, slipping back 5 to 538p.

There was strong buying of Eurotunnel shares ahead of its egm tomorrow to approve its 1-for-3 rights £500m issue. The Channel tunnel operator has been enjoying a boost to sentiment since its shares jumped last week. The shares jumped 33 to 509p in heavy London turnover of nearly 500,000. The stock was the best performer on the Paris bourse.

MARKET REPORTERS:
Christopher Price,
Peter John,
Steve Thompson.

■ Other statistics, Page 22

■ NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (263)
BRITISH FUNDS (31) AMERICANS (3) Ford Motor, General Elect., Vardy, BANKS (3) HSBC, HSBC HK, TSB, BREWERS (1) Vaux, BLDG MATLS (6) BPB, Heywood Williams, Do Cv. Pf., Meyer Intl., Travis Perkins, BUSINESS SERVS (3) Adam & Harvey, Christie, Hutch. Whampoa, CHEMS (2) Bayer, Laporte, CONGLOMERATES (2) Grampian, Sime Darby, CONTG & CONSTRCN (5) Allen, Berkeley, Bryant, McAlpine (A), Prowting, ELECTRICALS (1) Sony, ELECTRICITY (10) East Midlands, Eastern, London, Manweb, Midlands, Northern, Seaboard, South Western, Southern, Yorkshire, ELECTRONICS (4) Abacus, Elect'comps, Phonelink, Vega, ENG GEN (4) BSS, Corcia, FKI, 7I, FOOD MANUF (3) Kalamazoo, Linton Park, Nestle' (Reg), HEALTH & HSEHOLD (1) Amersham Intl., HOTELS & LEIS (2) Compass, Crockfords, INSCE COMPOSITE (1) Allianz, INSCE LIFE (1) Trans. 8 6pc Pf., INV TRUSTS (113) MEDIA (10) Carlton Comms., Do 6¼pc Pf., Capital Radio, Central ITV, Chiltern Radio, Flextech, GWR, Metal Bulletin, Radio Clyde, Trinity, MTL & MTL FORMING (5) Ferraris, Glynwed, Manganese Bronze, Simametal, Thyssen, MISC (6) Birby, Copymore, Faber Prest, Norbain, Plantsbrook, Rothmans, MOTORS (7) BBA, Burndene, Cowie (T), Henlys, Jacks (Wm), Lucas, Do Wts., OIL & GAS (1) Bula, OTHER FINCL (3) Aberdeen Trust, Carlisle, Perpetual, OTHER INDLS (2) Coal Invs., Wheelock, PACKG, PAPER & PRINTG (2) API, Senior, PROP (10) STORES (1) Storehouse, TEXTS (3) Hamlet, Helene, Yorklyde, TRANSPORT (3) Mersey Docks & Harbour, Vard, WATER (3) Severn Trent, South West, Welsh, SOUTH AFRICANS (2) OK Bazaars, Tongaat-Hulett, PLANTATIONS (1) Golden Hope, MINES (16).

NEW LOWS (31)
BRITISH FUNDS (3) BUSINESS SERVS (1) Reliance Sec., CHEMS (3) Chemex, Dosflex, Holliday, ENG GEN (2) Beverley, TransTec, FOOD MANUF (1) Sims, FOOD RETAILING (1) Academy Wentwood, HEALTH & HSEHOLD (5) Fisons, Huntingdon, SmithKline Beecham A, HOTELS & LEIS (2) Ex-Lands 7½pc Cv. '20, European Leis., INSCE BROKERS (1) Marsh & McLellan, INV TRUSTS (1) Murray Split Cap., MEDIA (1) Blenheim 6.4pc Pf., MTL & MTL FORMING (2) Johnson & Firth, Sycamore, MISC (1) Shanks & McEwan, MOTORS (1) Select Inds., OIL & GAS (2) Arcon, Ex. Co of Louisiana, OTHER INDLS (2) Harris (Ph), Metrotect, PACKG, PAPER & PRINTS (2) Hunterprint, Une Grp., TEXTS (2) Baird (Wm), Richards, TRANSPORT (1) MTC.

Data based on those Companies quoted on the London Share Service.

EQUITY FUTURES AND OPTIONS TRADING

Premiums on the key December futures contract on the FT-SE Index hit zero for the first time yesterday and gave a welcome relief to dealers struggling to roll out their positions ahead of Friday's all-important expiry of the December contract on the FT-SE 100, *writes Peter John.*

December futures opened strongly on a brief rush of hopes that the Bundesbank would lower rates at its fortnightly council meeting on Thursday and pave the way for a further cut in UK rates.

Unlike the underlying cash market the futures contract was unfettered by the effect of dividend payments and spiked up to a high of 3,278. Then, profit-taking took the contract back and by the afternoon it came back to its estimated fair value premium and matched the underlying market for the first time.

This gave the arbitrageurs a chance to unwind their short positions by buying the futures and selling the cash market. Much of the turnover represented investors rolling out their holdings to the March contract, which saw 5,255 lots traded by the close compared with 11,800 for December.

But the spread between March and December remained far higher than most analysts estimates – it was at 20 by the close against fair value calculations of a 15-point premium – and restrained some institutional investors from making their move. December hit 3,259 by the official close and rose again in after hours dealing.

Traded options turnover was down at only 25,600 lots against 38,900 on Friday with Glaxo the most heavily traded stock option with 2,202 lots dealt. Asda was active on 1287 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3277.0	3259.0	-9.0	3278.0	3252.0	14860	44149
Mar	3297.0	3279.5	-9.0	3298.0	3272.5	7542	35283
Jun		3290.0	-9.0			0	861

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3120) £10 per full index point

	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P
Dec	259	½	209	½	159	½	109	½	59	3	20½	13½	3½	49	½	99
Jan	272	5	225½	8	180	12	137	19	99	31	65	49	40½	76	22	111½
Feb	285	10½	240	15	197	22	157	32	120½	45	88	65½	62	90½	40½	121½
Mar	294	19½	250½	25	209	33½	171	45	136½	60	105	79½	78	104½	56½	130½
Jun†	319½	38			242½	60			174½	32½			118½	135		

Calls 5,078 Puts 2,494

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Dec	332½	½	284	½	234	½	184	½	134	1	84½	1½	38	5	8	23½
Jan	344½	2½	298	4	249	5½	201	9	157	14	118½	22½	81	37½	52	58
Feb	354	5½			281	11½			175½	24½			104	52½		
Mar	363	13½			272½	22½			197	39			120½	67		
Jun†	383½	29			298	41½			224	63½			168	97		

Calls 1,495 Puts 1,420 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	5,900	51½	-1
Abbey National†	2,000	461	-5
Albert Fisher	73	64	
Allied-Lyons†	1,300	616	-½
Anglian Water†	980	579	+14
Argos	604	369	
Argyll Group†	3,180	259	+1
Arjo Wiggins†	661	240	
[illegible]	[illegible]	[illegible]	[illegible]

FT - SE Actuaries Share Indices — The UK Series

	Dec 13	Day's chge%	Dec 10	Dec 9	Dec 8	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3254.6	-0.2	3261.3	3271.6	3277.4	2721.8	3.83	5.40	22.90	97.16	1191.89
FT-SE Mid 250	3607.6	+0.2	3601.3	3596.2	3589.9	2687.9	3.39	5.56	21.86	95.10	1307.84
FT-SE Mid 250 ex Inv Trusts	3601.8	+0.1	3597.0	3593.8	3589.6	2677.0	3.50	5.96	20.54	97.74	1301.24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

TRADITIONAL OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	41	8	29
Other Fixed Interest	3	0	12
Commercial, Industrial	347	271	819
Financial	156	48	236
Property	24	9	101
Investment Trusts	185	28	324
Oil & Gas	27	16	36
Mines	44	10	85
Others	53	36	36
Totals	770	415	1,554

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993 High	1993 Low	Stock	Close price p
100	F.P.	27.9	102	92	Abtrust Lloyds	93
–	F.P.	2.4	40	36	Do Warrants	40
100	F.P.	30.5	101	100	Amicable Smlr Ent	101
100	F.P.	65.5	97	91	Angerstein	97
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		19¼	-½	20⅞	15⅝	16,006	2.4
Allegheny & W.	♥	465p	+17	722p	339p	268.7	4.3
Amdahl		418p	+8	881p	294p	468.4	0.8
Amer Cyanamid		34½	-⅛	39	31¼	3,089	3.4
Amer Express		21⅝	-¾	25⅞	14⅞	10,158	3.2
Amer T & T		39⅝xd	-⅜	43¼	33¼	48,355	2.4
Ameritech		61⅛	+⅝	59¼	46	22,304	4.0
Anheuser-Busch		33¾xd	—	41¼	29⅞	8,338	2.8
BankAmerica		30⅞xd	+⅛	39¼	27⅛	10,776	3.1
Bankers NY		51⅞	-½	54¼	47⅝	4,382	4.0
Bell Atlantic		40	+⅛	44¾	32¼	17,440	4.5
BellSouth		38¼	+⅜	42⅞	32⅞	18,895	4.9
Bethlehem Steel	♥	12⅛	—	13¼	8½	1,097	-
Bowater		1605p	+100	1682p	1189p	581.6	2.5
CPC		31¼	-⅛	34⅝	28	4,779	2.7
California Engy		1288p	—	1479p	1086p	234.5	-
Chase Manhattan		22⅝	-⅜	24⅞	17⅞	3,492	3.6
Chrysler		37⅞xd	+2⅛	39	21¼	10,999	1.4
Citicorp		23⅝	-⅛	28	13⅞	8,638	-
Colgate-Palm		40¼	-⅛	45⅝	32	6,428	2.4
Cont'l Bank		1638p	-8	1677p	1270p	1,050	2.4
Dana		37xd	+½	39⅞	29⅞	1,689	2.9
Data General		629p	—	951p	527p	173.6	-
Decora Inds.	♥	79½p	—	146p	79½p	-	-
Dun & Brad		42	—	45⅞	37⅛	7,466	3.9
Eaton		34⅛	+⅜	37⅛	25⅞	2,374	2.3
Echlin		21½	-⅛	22⅞	15⅛	1,259	2.2
FPL		25⅞	+⅛	27⅞	23¼	4,610	6.5
Ford Motor		43⅛	+⅛	43⅝	28⅞	21,216	2.5
Gen Elect		68	+⅜	68	53⅞	57,999	2.5
General Host	♥	462p	—	723p	452p	-	6.0
Gillette		40⅝xd	-⅛	40⅞	31⅞	9,809	1.4

BUSINESS SERVICES

	Notes	Price	+ or -	1993 high	1993 low
ADT $		579	—	675	493
Adam & Harvey		230	—	253	198
Air London		61	—	92	56
African Lakes		44	—	58	37
Asso'ted Sec.		190	—	178	99
BET		137½	+½	138	84
BNB Res.		114	—	115	41
BPP		239	—	318	183
BSM		169	—	178	160
Barbour Index		240	—	285	195
Black & Edg.		1¼	—	1½	0½
Boustead		23	—	28	15
Bridgend		23	-1	27	12
Brit Data Mangt		223	-2	299	184
Brit Fittings		80	—	86	45
Brooks Service		58	—	78	54
Business Post		108	—	184	108
CRT		97	+1	109	86
Capita		191	—	193	138½
Caskat		40xd	—	49½	31
Chiltern Capital A$		22½	—	55	18½
Christie Group		65	—	68	26
Chubb Security		340xd	-2	384	228
Corp Servs.		37	+1	37	6½
Coutts Consulting		83	-2	91	20
Dart		140xd	-½	142	90
Davis Service		218	—	258	199
EW Fact		124	+1	134	85
Gardiner		28	-½	32	11
Hays		261	-1	277	215
Hogg Robinson		236	—	249	174
Holmes Protect $		39	—	70	34
Hutch Whmp HK$	♥	322	+2	323	127

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- Free annual/interim report available, see details below
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- *Indicated dividend yield after pending scrip and/or rights issue.*
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest *interim statement.*
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on *preliminary figures.*
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
y Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other *official estimates for* 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on MMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1255 a year for each security shown, subject to the Editor's discretion.

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FT Cityline

Up-to-the-second share prices are available by *telephone from the FT Cityline service. See* Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

هكذا من الاصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Sun Life Trust Mngmt Ltd (1200)H

[illegible]

Swiss Life Unit Tst Man Co Ltd (1200)F

[illegible]

TSB Unit Trusts (1200)F

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

PDFM Unit Managers Ltd

[illegible]

Rothschild Asset Management

[illegible]

J. Rothschild Fund Managers Ltd.

[illegible]

Stewart Ivory & Co Ltd

[illegible]

Thornton Unit Managers Ltd

[illegible]

INSURANCES

[illegible]

Barclays Life Assur. Co Ltd - Contd.

[illegible]

Combined Life Assurance Co

[illegible]

General Portfolio Life Insce Plc - Contd.

[illegible]

Legal & General

[illegible]

Manulife Group

[illegible]

Pearl Assurance - Contd.

[illegible]

FT MANAGED FUNDS SERVICE

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Royal Heritage Life Assurance Ltd
Peterborough Business Pk, PE2 6GG 0733 390000

	Bid Price	Offer Price	+ or -	Yield Gross
Multi Grth		734.2		-
Multi Grth A Cap	460.6	484.9		-
Multi Grth A Accum	734.2	772.9		-
Op Prop	454.0	477.9		-
Op Equity	853.3	898.3		-
Op High Yld	609.2	641.3		-
Op Man	755.6	795.4		-
Op Dep	381.0	401.1		-
Op Inc Gilt	228.8	240.9		6.335
Op Bn Man	455.5	479.5		-
Op Emerging Co's	431.8	454.6		-
Op Money	106.2	111.8		-
European	127.9	134.7		-
Pension Funds				
Property Ser B	869.6	915.4		-
Equity Ser B	2894.8	3047.0		-
Fixed Interest Ser B	1153.6	1214.4		-
Managed Ser B	1503.1	1582.3		-
Deposit Ser B	815.9	858.9		-
Money Ser B	107.3	113.0		-
Property Ser D		229.9		-
Equity Ser D		200.6		-
Fixed Interest Ser D		233.4		-
Managed Ser D		197.1		-
Deposit Ser D		246.1		-
Money Ser D		115.7		-

Scottish Provident Group - Contd.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

JERSEY (REGULATED)(**)

Barclays Int'l Funds

Asian Selection Funds

[illegible]

Cater Allen Investment Management (CI)

[illegible]

Citibank (CI) Ltd "Citifunds"

[illegible]

Citibank N.A.

[illegible]

Coutts & Co (Jersey) Fund Managers Ltd

[illegible]

EBC Fund Managers (Jersey) Ltd

[illegible]

Barclays Inv Funds - Contd.

[illegible]

CMI Asset Management (Luxembourg) SA

[illegible]

Commercial Union Luxembourg SA (u)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark edges lower

The D-Mark rose in early dealings as hopes that the Bundesbank might cut interest rates this week faded, *writes Conner Middelmann.*

However, it slipped to close slightly weaker against the US dollar and some European currencies.

The D-Mark received an early lift from a report in the German daily Frankfurter Allgemeine Zeitung that the Bundesbank's central bank council is not planning to cut official interest rates on Thursday - its last meeting of the year.

Citing an unnamed central bank source, the paper said the Bundesbank had made clear by setting securities repurchase agreements at a fixed rate of 6 per cent until January 5 that there would be no more interest rate cuts before year-end. There has been some speculation that the Bundesbank may lower its 5.75 per cent discount rate and 6.75 per cent Lombard rate at the meeting.

Bundesbank President Hans Tietmeyer said last week that the policy-making body would discuss the 1994 M3 money supply growth target at this week's meeting. He also said that next year's M3 target is likely to be close to this year's 4.5-6.5 per cent range. According to a poll of private economists conducted by Reuters, the Bundesbank is widely expected to set an unchanged or slightly lower target.

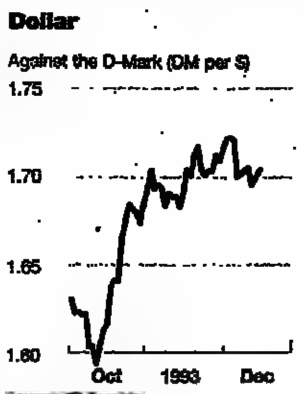
The German overnight rate tightened slightly amid the outflow of monthly tax payments. Call money was changing hands at around 6.10 per cent, up from around 6.05 per cent on Friday.

The March three-month Euromark interest-rate contract on LIFFE eased by 0.05 point to 94.52 on strong volume on fading hopes for a rate cut this week.

The dollar traded around DM1.6050 early in the day, but dollar strengthened on late short-covering to a high of DM1.7065. It ended at DM1.7050, up from DM1.6990 at Friday's close. Most traders expect the dollar to remain in a relatively narrow trading range between DM1.69 and DM1.73 until year-end.

Dollar

Against the D-Mark (DM per $)



Source: FT Graphite

■ **Pound in New York**

Dec 13	Latest	Prev. close
£ spot	1.4900	1.4945
1 mth	1.4888	1.4915
3 mth	1.4836	1.4871
1 yr	1.4719	1.4758

● The D-Mark also weakened against the French franc, although traders reported few flows and said volume was thin.

The French franc strengthened within its former narrow ERM fluctuation band against the D-Mark to a high of FFr3.421, before closing at FFr3.422, up from FFr3.424 on Friday.

The Bank of France left its 6.20 per cent intervention rate unchanged at its latest open-market operation, injecting FFr9.8bn of liquidity into the money market.

The Belgian franc closed at BFr20.94 to the D-Mark, down from BFr20.91 on Friday. The Danish krone ended at DKr3.923, down from DKr3.913 on Friday. The Italian lira weakened in volatile trade to L989.4 to the D-Mark from L985.8 at Friday's close.

● The pound firmed against the D-Mark but lost some ground to the dollar. It closed at DM2.5425, up from DM2.5400 on Friday. Against the dollar, sterling ended at $1.4905, down from $1.4950.

The latest UK price data, indicating continued low inflation pressures, rekindled hopes of further interest rate cuts but did little to weaken the pound. Industrial output in October rose 0.7 per cent while manufacturing output was up 0.1 per cent, largely in line with market expectations.

The short sterling futures contract reflected continued expectations of another near-term base rate cut.

The March contract rose 0.04 point to 94.96 while the December contract, which expires on Wednesday, was unchanged at [illegible].

Traders are eyeing tomorrow's release of the November retail price index and November retail sales data for further clues on the inflation picture and the outlook for UK interest rates.

"There's a feeling Wednesday could be (the Bank of England's) window of opportunity, if the numbers are good," said a London money dealer.

The market median forecast for RPI (ex-mortgage interest payments) is for an unchanged 2.8 per cent year-on-year. Retail sales are expected to have increased by 0.2 per cent on the month and by 3.6 per cent on the year.

The sterling money market was relatively tight, traders said. The Bank of England forecast a shortage of around £1.65bn in the morning and in early operations purchased bills totalling £1bn for resale to the market on January 4 at an interest rate of $5\frac{13}{32}$ per cent. In further operations, the Bank bought bills totalling £222m at 5⅜ per cent, followed by £42m of bills at the same rate in the afternoon. It provided late assistance of around £400m.

● The Japanese yen was little changed against the dollar, but observers said it is likely to continue its weakening trend against the dollar in coming months. It ended at Y108.95 against the US dollar, down from Y109.15 on Friday.

With the Japanese economy all but ground to a halt, Mr Tony Baron, chief strategist at PaineWebber in London is calling for continued sharp interest rate cuts by the Bank of Japan to stimulate growth. He expects the 1.75 per cent official discount rate to be cut to at least 1 per cent, if not lower. Moreover, as the US economy picks up and the Federal Reserve shifts towards a tightening bias, he expects the Yen to drop to Y112 by the end of January and as low as Y125 by the end of 1994.

POUND SPOT FORWARD AGAINST THE POUND

Dec 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													114.5
Austria	(Sch)	17.85	-	790 - 790	17.90	17.80	17.8806	-0.7	17.8737	-0.5	-	-	113.3
Belgium	(BFr)	53.25	+0.15	320 - 330	53.30	53.05	53.355	-2.4	53.49	-1.8	53.88	-1.2	115.8
Denmark	(DKr)	9.9750	+0.0375	700 - 800	9.9800	9.9060	9.9948	-2.4	10.0223	-1.9	10.1032	-1.3	79.7
Finland	(FM)	8.5640	+0.0415	490 - 790	8.5790	8.5085	-	-	-	-	-	-	108.3
France	(FFr)	8.7025	+0.005	975 - 075	8.7075	8.6690	8.7119	-1.3	8.7297	-1.3	8.7677	-0.6	124.0
Germany	(DM)	2.5425	+0.0025	400 - 450	2.5450	2.5275	2.5443	-0.8	2.5475	-0.8	2.5497	-0.3	-
Greece	(Dr)	384.35	+1.6	395 - 475	384.75	382.25	-	-	-	-	-	-	102.1
Ireland	(I£)	1.0520	-	515 - 525	1.0545	1.0490	1.0527	-0.8	1.054	-0.8	1.0568	-0.6	75.8
Italy	(L)	2516.00	+12	550 - 650	2518.40	2491.40	2522.8	-3.2	2536.05	-3.2	2591.3	-3.0	113.3
Luxembourg	(LFr)	53.25	+0.15	320 - 330	53.30	53.05	53.355	-2.4	53.49	-1.8	53.88	-1.2	119.2
Netherlands	(Fl)	2.8500	+0.0075	450 - 550	2.8550	2.8350	2.8504	-0.2	2.8522	-0.3	2.85	0.0	85.9
Norway	(NKr)	11.0300	+0.0075	250 - 350	11.0385	10.9940	11.0362	-0.7	11.04	-0.4	11.0302	0.0	-
Portugal	(Es)	259.70	+0.4	920 - 020	260.50	258.65	261.14	-6.7	263.475	-5.8	-	-	95.3
Spain	(Pta)	208.30	+0.7	815 - 845	208.55	207.20	209.02	-4.1	210.225	-3.7	214.88	-3.2	72.5
Sweden	(SKr)	12.6425	+0.09	375 - 475	12.5490	12.4105	12.585	-2.2	12.598	-1.8	12.725	-1.5	116.5
Switzerland	(SFr)	2.1850	+0.0075	800 - 900	2.1900	2.1695	2.1822	1.5	2.1791	1.1	2.1573	1.3	81.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	-
Ecu	-	1.3180	+0.001	175 - 185	1.3186	1.3130	1.3192	-1.1	1.3216	-1.1	1.3263	-0.6	-
SDR†	-	0.929768	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4920	-0.001	915 - 925	1.4950	1.4885	-	-	-	-	-	-	-
Brazil	(Cr)	397.85	+5	780 - 790	398.00	392.00	-	-	-	-	-	-	-
Canada	(C$)	1.9815	-0.0055	810 - 820	1.9890	1.9810	1.9785	1.8	1.975	1.8	1.9691	0.6	91.1
Mexico	(New Peso)	4.6480	-0.0085	465 - 495	4.6540	4.6400	-	-	-	-	-	-	-
USA	($)	1.4905	-0.0045	900 - 910	1.4970	1.4900	1.4871	2.7	1.4832	2.0	1.4723	1.2	66.8
Pacific/Middle East/Africa													
Australia	(A$)	2.2255	-0.0055	250 - 260	2.2320	2.2210	2.2243	0.7	2.2224	0.6	2.2222	0.1	-
Hong Kong	(HK$)	11.5347	-0.0193	340 - 355	11.5620	11.5125	11.5199	1.5	11.4989	1.6	11.3936	1.2	-
India	(Rs)	46.80	-0.05	675 - 685	46.95	46.75	-	-	-	-	-	-	-
Japan	(Y)	162.50	-0.75	200 - 300	163.75	162.00	161.985	3.8	161.19	3.2	157.475	3.1	179.6
Malaysia	(M$)	3.8050	-0.0115	045 - 055	3.8175	3.7985	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6945	-	930 - 960	2.6990	2.6910	2.6952	-0.3	2.6964	-0.3	2.7068	-0.4	-
Philippines	(Peso)	40.95	-	090 - 100	41.00	40.85	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6010	-0.01	005 - 015	5.6145	5.5910	-	-	-	-	-	-	-
Singapore	(S$)	2.3825	-0.0075	820 - 830	2.3875	2.3785	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0305	-0.0085	295 - 315	5.0345	5.0100	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6010	+0.0035	940 - 080	6.6240	6.5475	-	-	-	-	-	-	-
South Korea	(Won)	1210.50	+0.05	035 - 065	1213.00	1208.20	-	-	-	-	-	-	-
Taiwan	(T$)	40.10	-0.1	005 - 015	40.15	40.00	-	-	-	-	-	-	-
Thailand	(Bt)	37.85	-0.05	780 - 790	38.00	37.80	-	-	-	-	-	-	-

†SDR rate for Dec 10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9450	0.13	0.51	0.70	0	0.04	0.05
9475	0.02	0.31	0.49	0.14	0.09	0.09
9500	0	0.15	0.31	0.37	0.18	0.16

Est. vol. total, Calls 5669 Puts 4581. Previous day's open int., Calls 176889 Puts 170700

BASE LENDING RATES

	%		%
Adam & Company	5.5	Duncan Lawrie	5.5
Allied Trust Bank	5.5	Exeter Bank Limited	7
AIB Bank	5.5	Financial & Gen Bank	6
●Henry Ansbacher	5.5	●Robert Fleming & Co	[illegible]
Bank of Baroda	5.5	Girobank	5.5
Banco Bilbao Vizcaya	5.5	●Guinness Mahon	5.5
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.5
Bank of Ireland	5.5	●Hambros Bank	5.5
Bank of India	5.5	Heritable & Gen Inv Bk.	5.5
Bank of Scotland	5.5	●Hill Samuel	5.5
Barclays Bank	5.5	C. Hoare & Co	5.5
Brit Bk of Mid East	5.5	Hongkong & Shanghai	[illegible]
●Brown Shipley	5.5	Julian Hodge Bank	5.5
CL Bank Nederland	5.5	●Leopold Joseph & Sons	[illegible]
Citibank NA	5.5	Lloyds Bank	5.5
City Merchants Bank	5.5	Meghraj Bank Ltd	5.5
Clydesdale Bank	5.5	Midland Bank	5.5
The Co-operative Bank	5.5	* Mount Banking	6
Coutts & Co	5.5	NatWestminster	5.5
Credit Lyonnais	5.5	●Rea Brothers	5.5
Cyprus Popular Bank	5.5		

	%
* Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Royal Bk of Scotland	5.5
●Smith & Williamson Secs.	5.5
Standard Chartered	5.5
TSB	5.5
●United Bk of Kuwait	5.5
Unity Trust Bank Plc	5.5
Western Trust	5.5
Whiteaway Laidlaw	5.5
Wimbledon & Sth West.	7
Yorkshire Bank	5.5

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 13 / Sch)

BELGIUM/LUXEMBOURG (Dec 13 / Frs.)

DENMARK (Dec 13 / Kr)

FINLAND (Dec 13 / Mks)

FRANCE (Dec 13 / Frs.)

GERMANY (Dec 13 / Dm.)

ITALY (Dec 13 / Lire)

NETHERLANDS (Dec 13 / Fls.)

NORWAY (Dec 13 / Kroner)

SPAIN (Dec 13 / Pts.)

SWEDEN (Dec 13 / Kronor)

SWITZERLAND (Dec 13 / Frs.)

PACIFIC

JAPAN (Dec 13 / Yen)

AUSTRALIA (Dec 13 / Aust$)

HONG KONG (Dec 13 / H.K.$)

MALAYSIA (Dec 13 / MYR)

SINGAPORE (Dec 13 / S$)

NORTH AMERICA

CANADA

TORONTO (Dec 13 / Can $)

4 pm close

MONTREAL (Dec 13 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Dec 13 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ **TOKYO - MOST ACTIVE STOCKS:** Monday, December 13, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujitsu	8.8m	835	+20	Sharp	3.7m	1,490	
Bk of Yokohama	5.4m	971	-24	NEC	3.7m	904	+24
Hitachi	5.3m	840	+30	Toshiba	3.5m	685	+12
M'shita El Ind	4.9m	1,500	+20	Koa	3.4m	1,220	+40
Mitsubishi Hvy	3.8m	840		Sony	3.2m	5,340	+140

INDICES

	Dec 13	Dec 10	Dec 9	1993 High		1993 Low	
Argentina							
General (29/12/77)	(u)	18459.6	18442.3	18459.60	10/12	12187.56	8/3
Australia							
All Ordinaries(1/1/80)	2094.5	2094.9	2095.7	2132.40	1/11	1495.00	13/1
All Mining(1/1/80)	967.5	948.1	951.4	967.50	13/12	594.70	13/1
Austria							
Credit Aktien(30/12/84)	422.34	422.22	422.73	424.39	2/11	300.25	14/1
Traded Index(2/1/91)	1098.65	1096.75	1098.82	1098.65	13/12	712.06	15/1
Belgium							
BEL20 (1/1/91)	1431.37	1428.78	1432.11	1438.42	6/12	1125.46	4/1
Brazil							
Bovespa (29/12/83)	(u)	29036.0	28469.0	67309.00	25/6	714.72	4/1
Canada							
Metals Minls♦(1975)	(u)	3497.71	3483.08	3515.57	8/12	2743.31	21/1
Composite♦ (1975)	(u)	4280.30	4290.60	4307.20	8/12	3275.80	21/1
Portfolio§§ (4/1/83)	(u)	2054.59	2054.38	2089.53	8/12	1720.97	21/1
Chile							
IPGA Gen (31/12/80)	(u)	3414.0	3394.6	3414.00	10/12	2812.59	10/6
Denmark							
CopenhagenSE(3/1/83)	351.52	352.52	353.18	358.14	4/11	281.80	4/1
Finland							
HEX General(28/12/90)	1538.4	1550.0	1558.9	1607.70	3/11	843.10	22/1
France							
CAC General(31/12/81)	(u)	(u)	(u)	609.73	25/10	471.24	13/1
CAC 40(31/12/87)	2195.31	2198.13	2217.40	2231.85	22/10	1772.21	29/1
Germany							
FAZ Aktien(31/12/58)	831.89	826.35	827.94	831.89	13/12	598.82	14/1
Commerzbank(1/12/53)	2382.5	2365.3	2372.4	2382.50	13/12	1694.30	14/1
DAX (30/12/87)	2172.75	2161.13	2175.80	2175.80	9/12	1516.38	13/1
Greece							
Athens SE(31/12/80)	923.06	912.43	907.92	944.44	13/8	667.72	5/1
Hong Kong							
Hang Seng(31/7/64)	10248.59	10228.11	9990.26	10248.59	13/12	5437.80	4/1
India							
BSE Sens.(1979)	3454.8	3431.9	3328.5	3454.80	13/12	2100.67	23/4
Indonesia							
Jakarta Comp.(10/8/82)	527.93	528.46	525.32	536.48	22/11	273.31	5/1
Ireland							
ISEQ Overall(4/1/88)	1838.63	1822.93	1814.37	1849.27	3/11	1191.19	11/1
Italy							
Banca Comm Ital (1972)	588.45	583.11	584.27	632.86	30/8	448.33	6/1
MIB General (4/1/93)	1293.0	1287.0	1294.0	1390.00	30/8	992.00	11/1
Japan							
Nikkei 225 (16/5/49)	17327.53	17257.43	17061.91	21148.11	13/9	16078.71	29/11
Nikkei 300 (1/10/82)	270.98	271.32	267.18	308.84	10/11	249.64	29/11
Topix (4/1/68)	1462.14	1456.71	1437.74	1698.67	3/9	1250.06	25/1
2nd Section (4/1/68)	1878.19	1874.41	1853.39	2384.97	7/5	1651.72	28/1
Malaysia							
KLSE Comp.(4/4/86)	1090.35	1075.65	1067.34	1090.35	13/12	614.28	13/1
Mexico							
IPC (Nov 1978)	(u)	2409.35	(u)	2433.27	8/12	1504.15	25/2
Netherlands							
CBS TtlRtnGen(End 83)	416.8	417.8†	417.6	420.80	8/12	295.70	4/1
CBS All Shr (End 83)	270.1	270.7	270.7	272.70	8/12	198.60	13/1
New Zealand							
Cap. 40 (1/7/86)	2106.12	2103.97	2108.53	2203.59	2/11	1495.37	21/1
Norway							
Oslo SE(Ind)(2/1/83)	995.40	998.24	1000.86	1036.73	18/11	669.93	27/1
Philippines							
Manila Comp (2/1/85)	2579.21	2513.29	2510.52	2579.21	13/12	1270.66	4/1
Portugal							
BTA (1977)	2590.5	2585.8	2549.8	2599.00	9/9	1808.30	14/1
Singapore							
SES All-S'pore(2/4/75)	598.55	590.46	576.09	598.55	13/12	394.10	13/1
South Africa							
JSE Gold (28/9/78)	2135.0♥	2050.0	2064.0	2135.00	13/12	775.00	5/1
JSE Indl. (28/9/78)	5109.0♥	5057.0	5072.0	5109.00	13/12	4333.00	16/4
South Korea							
KoreaCompEx(4/1/80)**	850.03	861.72	843.95	866.88	11/12	605.53	6/3
Spain							
Madrid SE (30/12/85)	308.46	308.05	308.09	310.28	22/10	215.80	4/1
Sweden							
AffarsvarldsGen (1/2/37)	1357.80	1350.6	1380.4	1435.10	4/11	878.10	28/1
Switzerland							
Swiss Bk Ind (31/12/58)	1252.29	1248.73	1244.94	1252.29	13/12	904.80	11/1
SBC General (1/4/87)	979.40	976.40	975.01	979.40	13/12	678.70	11/1
Taiwan							
WeightedPr.(30/6/66)**	4929.81	4644.03	4580.26	5013.28	7/4	3098.43	9/1
Thailand							
Bangkok SET (30/4/75)	1485.17	(c)	1480.63	1485.17	13/12	818.94	1/6
Turkey							
Istanbul Cmp.(Jan 1986)	17345.2	17591.9	17826.7	18977.10	30/11	3855.53	1/1
WORLD							
MS Capital Int (1/1/70)§	593.9*	593.8	591.8	607.10	15/10	498.60	13/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1416.03	1415.61	1416.86	1416.86	9/12	1063.02	13/1
Euro Top-100 (26/6/90)	1185.49	1181.31	1189.00	1189.00	9/12	882.73	13/1
JCapelDrgns (31/12/88)	(u)	335.88	329.49	335.88	10/12	188.82	4/1
Barings Emerg.(7/1/92)	153.48	151.79	151.89	153.48	13/12	99.81	4/2

** Sat Dec 11: Taiwan Weighted Price 4751.58; Korea Comp Ex 866.88. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7, JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ♥ Subject to official recalculation.

■ **CAC-40 STOCK INDEX FUTURES** (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Dec	2215.0	2210.0	-3.0	2222.0	2185.0	18,054	42,930
Jan	2221.5	2221.5	-3.0	2232.0	2208.0	1,235	9,798
Feb	2232.0	2233.5	-3.0	2232.0	2232.0	1	150
Mar	2250.0	2244.5	-3.5	2258.0	2232.5	2,586	15,964

Open interest figures for previous day.

US INDICES

Dow Jones	Dec 10	Dec 9	Dec 8	1993 High	1993 Low	Since compilation High	Since compilation Low
Industrials	3740.67	3729.78	3734.53	3740.67 (10/12)	3241.95 (20/1)	3740.67 (10/12/93)	41.22 (2/7/32)
Home Bonds	111.29	111.02	110.89	111.29 (10/12)	103.49 (11/1)	111.29 (10/12/93)	54.99 (1/10/81)
Transport	1763.53	1765.54	1767.48	1770.67 (2/12)	1453.84 (4/1)	1770.67 (2/12/93)	12.32 (8/7/32)
Utilities	224.76	224.95	228.14	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3758.64 (3754.43) Low 3704.91 (3709.84) (Theoretical)♦

Day's high 3741.51 (3748.79) Low 3723.91 (3725.86) (Actual)♦

Standard and Poors	Dec 10	Dec 9	Dec 8	1993 High	1993 Low	Since compilation High	Since compilation Low
Composite ‡	463.93	464.18	468.29	469.50 (15/10)	429.05 (8/1)	469.50 (15/10/93)	4.40 (1/6/32)
Industrials♥	536.57	538.35	538.82	540.25 (16/11)	495.48 (26/4)	540.25 (16/11/93)	3.62 (21/6/32)
Financial	44.15	44.48	44.65	48.40 (28/9)	39.89 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	256.93	257.00	257.97	260.48 (15/10)	236.21 (8/1)	260.48 (15/10/93)	4.46 (25/4/42)
Amex Mkt Val	466.28	467.31	468.87	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Cmp	760.74	761.49	767.89	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

■ **RATIOS**

	Dec 10	Dec 3	Nov 26	Year ago
Dow Jones Ind. Div. Yield	2.67	2.70	2.71	3.12
	Dec 8	Dec 1	Nov 24	Year ago
S & P Ind. Div. yield	2.39	2.41	2.40	2.65
S & P Ind. P/E ratio	27.41	27.08	27.14	27.71

■ **STANDARD AND POORS 500 INDEX FUTURES** $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	463.00	463.40	-0.50	463.55	463.00	15,311	94,306
Mar	464.75	464.30	-0.60	464.75	463.95	48,535	110,574
Jun	464.90	465.05	-0.90	465.05	464.85	188	2,405
Sep	-	466.20	-	-	466.00	7	642

Open interest figures are for previous day.

■ **NEW YORK ACTIVE STOCKS**

Friday	Stocks traded	Close price	Change on day
Merck	4,506,700	33	-¼
Atwoods	3,938,300	6¾	+¼
IBM	3,652,300	55¼	+1⅛
Hanson	3,624,600	19¼	-⅛
Chrysler	3,174,200	56½	+3⅞
Borden	3,142,300	18¾	+⅜
Telefonos	2,643,800	61	+⅛
Paramount	2,591,800	81¼	-¾
Abbott Labs	2,357,900	28½	-¼
EMC Corp	1,884,100	31	-⅛

■ **TRADING ACTIVITY**

● Volume (million)

	Dec 10	Dec 9	Dec 8
New York SE	238.009	276.679	304.256
Amex	15.486	18.410	20.398
NASDAQ	(u)	302.790	293.436
NYSE			
Issues Traded	2,707	2,696	2,691
Rises	954	879	1,048
Falls	1,097	1,153	991
Unchanged	656	664	652
New Highs	69	99	90
New Lows	49	35	22

† Corrected figs for Dec 10. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

4 pm close December 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14 5/8	11 1/2	AAR	0.48	3.4706		320	14 1/8	13 7/8	14 1/8	
29 3/8	12 3/4	A L Labs A	0.18	1.3	32	646	13 7/8	13 1/8	13 7/8	+1/2
67 1/4	54 5/8	AMP	1.60	2.7	21	1101	60 1/2	60 1/8	60 1/8	+1/2
72 3/4	55 1/2	AMR			53	2005	69 1/8	68 1/8	68 3/8	-1/2
3 7/8	1 3/4	ARX			13	97	3 1/2	3 3/4	3 5/8	-1/8
61 1/2	29 7/8	ASA	2.00	4.0	33	852	50 1/4	49 5/8	49 7/8	+5/8
30 3/4	22 7/8	Abbott L	0.68	2.4	17	10669	28 5/8	28	28 5/8	+1/8
12 7/8	8 3/4	Abitibi Pr	0.50	4.4	7	32	11 1/4	11 1/8	11 1/4	
15 5/8	8 3/4	Acptnceln			20	19	12 1/8	12	12	-1/4
38	25 1/2	ACE Ltd	0.40	1.4	5	434	29 1/2	29 1/4	29 1/2	
12 1/4	10 3/4	ACM Gvt In x	1.09	9.1		604	12	11 3/4	12	+1/8
10 1/8	9 1/8	ACM GvOpp x	1.58	16.4		75	9 5/8	9 3/4	9 3/4	-1/8
10 3/8	8 3/4	ACM Gvt Sp x	0.96	9.5		575	d10 1/8	10 1/8	10 1/8	-1/8
12	10 1/2	ACM Gvt Se x	1.09	9.2		417	11 7/8	11 3/4	11 7/8	-1/8
12 1/4	9 5/8	ACM Mgn x	2.56	23.3		270	11	10 7/8	11	-1/8
9 3/8	6 5/8	ACM MgnOpp x	0.72	8.0		138	9 1/8	9	9	-1/8
12 7/8	7 3/4	AcmeClv	0.44	4.8	12	11	9 1/4	9 1/4	9 1/4	-1/8
11 3/8	6 5/8	Acme Elect			39	73	8 3/4	8 1/2	8 5/8	-1/4
27 5/8	18 5/8	Acordia	0.44	1.8	13	19	23 7/8	23 1/4	23 7/8	+1/8
16	10 5/8	Acuson			55	772	12 5/8	12 1/4	12 1/4	-3/8
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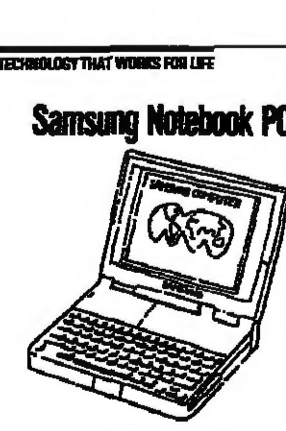

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NYSE COMPOSITE PRICES

4 pm close December 13

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NASDAQ NATIONAL MARKET

4 pm close December 13

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AMEX COMPOSITE PRICES

4 pm close December 13

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FINANCIAL TIMES
Tuesday December 14 1993

AMERICA

Golds enliven dull picture at midday

Wall Street

In the absence of fresh news on the economy, US stocks followed a listless bond market to mostly lower levels yesterday morning, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was down 1.39 at 3,739.28, and the more broadly based Standard & Poor's 500 was off 0.65 to 463.28. In the secondary markets, the American SE composite slipped 1.51 to 464.77, while the Nasdaq composite lost 2.43 to 758.31.

Activity on the NYSE was moderate, with 143m shares traded by 1 pm.

At the opening, investors found little to guide sentiment and so turned to the US Treasury market, even though bond trading was quiet and generally directionless. By midday, the long end was posting moderate losses in reaction to higher gold prices and an early jump in the closely watched Commodity Research Bureau index.

The CRB index later changed course and slipped into negative territory. But the benchmark 30-year issue, which is most sensitive to signs of inflation, failed to recover and was trading ⅛ lower at 100⅛ by midday.

With equities down slightly all morning, gold and other metal stocks were a rare bright spot. American Barrick rose $⅛ to $28⅞, Lac Minerals $¼ to $9¾, Homestake $⅞ to $22⅞ and Newmont Gold $⅞ to $47.

Among non-ferrous metal producers, Phelps-Dodge gained $⅞ to $49⅞, Reynolds $⅞ to $48⅞, Alcoa $⅞ to $73⅛ and Cyprus Minerals $⅞ to $25⅞.

Near the top of the NYSE's most active list, IBM climbed $1⅛ to $56⅞ on news of the sale of its Federal Systems division to Loral for $1.58bn, or about 50 per cent more than initially expected. Loral added $1⅞ to $34⅛.

In the banking sector, BankAmerica was down $⅞ at $44⅞, Chemical $⅞ at $38⅞ and Golden West Financial $1 at $37½ after Smith Barney Shearson removed the stocks from its "recommended" list.

US Surgical jumped $1⅞ to $22⅞ after Smith Barney upgraded the stock to "outperform" from "sell".

Nutmeg Industries surged $2⅞ to $17¼ on the announcement that VF Corp had agreed to acquire the company for $17.50 a share. VF added $⅞ to $44⅞.

Southwest Airlines was marked up $1⅞ to $35⅞ after agreeing to acquire Morris Air. Other airline stocks failed to benefit from a further drop in crude oil futures. UAL slipped $¼ to $149⅞, AMR edged $½ lower to $68⅞ and Alaska Air dropped $1⅛ at $14⅞.

On the Nasdaq, ProCyte tumbled $4½ to $11 after suspending clinical trials of its lead product at the request of the Food and Drug Administration.

Canada

Toronto edged higher, led by golds and with other mining stocks supported by hints of lower world aluminium output.

The TSE 300 composite index gained 4.42 to 4,284.72 in volume of 30.9m shares. Advances led declines by 369 to 296 with 300 steady.

The gold index was up 137, or 1.3 per cent to 10,911.85 as Comex gold soared to four-month highs. Among gold stocks, Franco-Nevada rose C$⅞ to C$93 and American Barrick climbed C$⅞ to C$37⅞.

SOUTH AFRICA

Johannesburg rose strongly on the back of a climbing bullion price. The golds index added 85 at 2,135, industrials 52 at 5,109 and the overall index 80 at 4,547. De Beers advanced R3.25 to R99.25 and Anglos put on R2.50 at R192.50.

EUROPE

Frankfurt slips back after hitting all-time peak

Early gains on most senior bourses had disappeared by mid-afternoon yesterday, *writes Our Markets Staff.*

FRANKFURT rose to a new all-time high on short covering, the DAX index hitting an intraday 2,187.28, and lost the better part of its gains thereafter. The index closed 11.62 higher at 2,172.75 and shed most of that gain in the post bourse, where the Ibis-indicated close was 2,163.82.

Mr Jens Wiecking of Merck Finck in Düsseldorf said that the market began to look uncomfortable at lunchtime when the DAX future, usually quoted at a premium to the cash market, was actually quoted at a discount for a while. "Many insurance companies had hedged their portfolios by selling futures rather than the cash market," said Mr Wiecking, "and then had to buy the futures back."

Turnover rose from DM9.1bn to DM9.4bn. Metallgesellschaft fell another DM30, or 9.3 per cent to DM293 on its recent, poor results and liquidity problems associated with oil market contracts. AEG fell another DM6 to DM169 after an earlier run-up on restructuring hopes.

Thyssen, strong late last week, put on DM5 to DM264.50 on a report that the group would consider pulling out of the steel business entirely, in order to protect the 60 per cent of its workforce in other areas; among the other risers, the chemicals, precious metals and pharmaceuticals group, Degussa, climbed DM10 to DM463 ahead of its preliminary results for 1993.

PARIS had a morning in positive territory, but ended with the CAC-40 index 1.82 lower at 2,196.31 after the EC Trade Commissioner, Sir Leon Brittan, said in the afternoon that some details of the GATT talks would have to be worked out after the December 15 deadline.

Turnover rose from FFr3.34bn to FFr3.9bn. Eurotunnel jumped by 6.3 per cent, rising FFr2.65 to FFr44.75 in heavy volume of 5.8m shares following the handover of the tunnel, said brokers, and acceptance by Transmarche Link of the principle of being paid in Eurotunnel shares. The defence and electronics group, Thomson-CSF, was up FFr4.70 at FFr159.70.

Elf Aquitaine, the oil company, fell FFr2.60 to FFr417.80.

The chemicals and pharmaceuticals group, Rhone-Poulenc, fell FFr2.60 to FFr149.50 on an earnings downgrade by Goldman Sachs. After hours, its merger with Institut Merieux was postponed as the latter estimated the cost to profits, this year and next, of withdrawing albumin products.

ZURICH stayed on the upgrade and set a new high, the SMI index adding 15.7 to 2,876.9 on the outlook for interest rates and corporate profits.

Alusuisse, a recent laggard, rose SFr11 to a year's high of SFr567 on strong demand from US funds which are turning their attention to cyclicals from banks and pharmaceuticals. A rise in aluminium prices was attributed to reports that Russia was considering a 10 per cent cut in production to reduce the current glut which has depressed world markets.

Swiss Reinsurance added SFr10 to SFr770 on the view that the shares had more upward potential once the current rights issue had been digested by the market.

AMSTERDAM drifted lower amid light futures-related selling, although the undertone remained firm. The CBS Tendency index eased 0.1 to 139.9.

Royal Dutch added 90 cents to Fl 196.70 on reports that the government would lift a 10-year ban on offshore gas and oil drilling in the environmentally sensitive Wadden Sea at a news conference after the market closed. The area contains 100bn-200bn cubic metres of natural gas and an unknown quantity of oil.

Unilever shed Fl 2.60 to Fl 219.20: the recent high share price has prompted Goldman Sachs to remove it from its recommended list.

Van Ommeren picked up Fl 1.50 to Fl 49.10 and Pakhoed Fl 1.10 to Fl 42.60: both fell sharply on Friday when the government announced it was moving its strategic oil reserves from Rotterdam Port to German salt caves.

MILAN resumed its advance, although shares were unable to maintain their best levels amid some late profit-taking ahead of tomorrow's end of the December account. The Comit index added 5.34 to 588.45.

Renewed enthusiasm for privatisation candidates helped the market along. Sip added L65 or 1.9 per cent to L3,410 and Stet rose L105 or 2.7 per cent to L4,020.

Credito Italiano slid L30 to L2,350 on profit-taking after its strong gains last week when its share offer was heavily oversubscribed. Fiat added L111 to L4,276 as interest in the company's rights spread out to the ordinary shares. Rights not taken up from the recent issue are being traded on the market this week.

DUBLIN's ISEQ overall index picked up 15.70 to 1,838.63, the market driven by strong foreign demand for Smurfit. The paper and packaging group, a laggard early in the year, added another 7p to I£2.95: it has risen from a low of I£2.20 at the end of October in line with an improving paper sector on Wall Street.

STOCKHOLM's Affärsvärlden index added 7.2 at 1,357.8, helped by a SKr12 rise in Ericsson "B" to SKr332 as foreign selling pressure eased.

FT-SE Actuaries Share Indices

Dec 13 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1421.09	1420.74	1420.78	1421.18	1420.28	1417.10	1415.56	1418.03
FT-SE Eurotrack 200	1483.91	1485.44	1485.88	1485.29	1484.62	1480.86	1480.17	1479.80

	Dec. 10	Dec. 9	Dec. 8	Dec. 7	Dec. 6
FT-SE Eurotrack 100	1415.61	1416.66	1416.22	1399.50	1397.37
FT-SE Eurotrack 200	1479.77	1482.79	1483.18	1467.49	1469.43

Base value 1000 (26/10/90): High/day: 100 - 1422.38; 200 - 1486.60 Low/day: 100 - 1414.85 200 - 1477.94.

Written and edited by William Cochrane and Michael Morgan.

ASIA PACIFIC

Pacific Basin climbs again with string of new highs

Tokyo

Investors refrained from trading due to mounting uncertainty over the stability of the seven-party coalition government, and the Nikkei average closed just marginally higher, *writes Emiko Terazono in Tokyo.*

Volume totalled a mere 210m shares, down sharply from Friday's 600m, the settlement day for December futures and options contracts. The 225-issue index gained 69.90 at 17,237.33 after a day's low of 17,123.81 and high of 17,563.36.

Advances outscored declines by 594 to 400, with 174 issues unchanged. The Topix index of all first section stocks put on 5.43 at 1,462.14, and in London the ISE/Nikkei 50 index firmed 1.19 to 1,201.52.

The Nikkei declined soon after the opening on arbitrage unwinding; it gained ground in the early afternoon on a rise in the futures market, but late profit-taking eroded most of the advance. Traders said attention was focused on the negotiations within the coalition government over the partial lifting of Japan's rice import ban.

The Socialist party, which depends on the rural vote, has threatened to leave the coalition if the government decides to agree formally to the Gatt compromise plan, and some investors feared that the worst case scenario would be a break-up of the coalition.

Investors also awaited further details of the expected additional fiscal package to be floated in the press. The government is likely to release the details of the budget for the next business year starting March, along with a stimulatory fiscal package after Mr Morihiro Hosokawa, the prime minister, reaches a decision over the rice issue.

Foreigners led buying in export oriented high-technology stocks. Sony rose Y140 to a year's high of Y5,340, as did Aiwa, up Y20 at Y1,840.

East Japan Railway gained Y5,000 at Y422,000 and Nippon Telegraph and Telephone added Y5,000 at Y735,000. Other telecommunications-related issues were also strong, with Fujitsu, the day's most active issue, climbing Y20 to Y835 and NEC advancing Y24 to Y904.

Brokerages were easier on profit-taking, with Nomura Securities losing Y10 to Y1,840 and Nikko Securities declining Y20 to Y1,110.

Large retailers were strong on hopes of firm sales in the gift-giving season. Mitsukoshi moved forward Y15 to Y805 and Tokyu Department Store Y22 to Y800. However, supermarket chains lost ground, Daiei shedding Y20 to Y1,430 and Ito-Yokado Y10 to Y5,570.

In Osaka, the OSE average was 68.01 firmer at 19,322.79 in volume of 79.7m shares.

Roundup

The region built on last week's gains, and produced six new record highs in the process.

HONG KONG added modestly to last week's outstanding rise, the Hang Seng index ending 20.48 higher at 10,248.59 in spite of a renewed Chinese broadside against Governor Chris Patten's plans to push through his democratic reforms for the colony.

Turnover was estimated at HK$9.23bn, still strong but down from Friday's record HK$11.94bn. The most active blue chip, HSBC, advanced HK$1 to HK$96.50.

SINGAPORE's Straits Times Industrial index moved ahead 24.87 to end at a new closing peak of 2,245.27 for the third straight trading day on a record turnover, driven by retail and institutional buying. Volume was a record 736.7m shares valued at S$1.60bn, against the previous high of 717.8m shares worth S$1.46bn set on October 28.

KUALA LUMPUR hit its new high on speculative and institutional buying, which took the KLSE composite index up 14.50 to 1,090.35, volume rising from 754m to 939m shares.

MANILA's brokers, full of enthusiasm, said that equities were building up for a bull market in 1994. Yesterday's 65.92 gain to a new high of 2,579.21 left it more than doubled from the 1993 low of 1,270.68 on January 4.

KARACHI, continuing to put political stability ahead of a weak cotton crop, managed its record peak on settlement day, climbing sharply as local traders followed buying by foreign funds. The KSE index strengthened 30.69 to 1,888.34.

BOMBAY ended higher after an early retreat, lower prices triggering a fresh round of buying. The BSE index closed 52.91 up at 3,454.81 and brokers said foreign funds were still voraciously on feed.

TAIWAN made an eight-month high and turnover, too, jumped to its highest level since March. The weighted index put on 3.8 per cent, closing 178.23 stronger at 4,929.81. Turnover soared to T$93.87bn, from T$49.68bn in Saturday's shortened session. Foreign interest in financials boosted late buying across the board.

SEOUL, the prime exception, was dragged lower by profit-taking and institutional selling, the composite index finishing 16.85 down at 850.03. Securities houses face a government order requiring them to liquidate holdings beyond 60 per cent of their equity capital by the end of the year.

Hong Kong posts year's best rise

By Michael Morgan

Continued strong liquidity in a market rapidly becoming short of stock combined with technical factors to keep Hong Kong firmly on the upward escalator last week, recording the sharpest five-day advance for any market this year.

Miss Sara Dodd of HG Asia sees liquidity as the key to Hong Kong's 10 per cent rise last week, which took the cumulative gain over the last 12 months to more than 98 per cent as measured by the FT-Actuaries World indices in local currency terms.

Miss Dodd believes that political developments are having little affect on the market's direction, noting that further strong demand has been evident from the US and that there have been reports of some large purchases from Japan.

There have been stories, too, that local Hong Kong-Chinese investors have come to the conclusion that their earlier hopes of an easier market were little more than wishful thinking.

James Capel notes that the market became increasingly technical, with futures trading reflecting options hedging. Capel believes that, in its present mood, the market could rise from the present 10,248 to 12,000, although because of the technical nature of trading it could also fall back from that level very quickly.

European markets produced a largely lacklustre performance, although Italy was an exception as the second round of local elections provided no unpleasant surprises and parliamentary passage of the budget looked to be back on track.

In a review of the Italian market, Mr Oliver Kamm and Mr William Cowan of James Capel note that the final results of the local elections make the PDS the leading party in Italy and that, as such, it has to be taken seriously as a potential partner in any future government.

However, they believe the market has already discounted a worst case scenario of intensifying political instability.

They add that while the equity market has been depressed since August because of investor perceptions about political risk, as well as concern about the volume of rights issues and forthcoming privatisations, fundamental macroeconomic prospects are favourable over the next 12 months.

The team says that following its sharp decline since August, the market offers reasonable rather than compelling valuations, trading on a multiple of 26 times 1993 earnings and 22 times for 1994.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+1.19	+5.85	+40.88	+36.62	+31.55	+29.89
Belgium	+0.81	+4.72	+29.38	+29.11	+22.29	+20.75
Denmark	+1.35	-0.25	+34.48	+37.54	+31.48	+29.83
Finland	+0.46	-0.53	+83.39	+92.89	+79.33	+77.10
France	+0.85	+4.78	+27.99	+23.09	+18.39	+16.90
Germany	+1.69	+6.46	+42.68	+39.00	+34.18	+32.50
Ireland	+0.02	+0.82	+61.25	+51.08	+33.81	+32.13
Italy	+6.45	+6.93	+47.58	+38.49	+23.38	+21.83
Netherlands	+0.50	+3.09	+35.75	+35.21	+30.95	+29.30
Norway	+0.57	-2.02	+21.67	+33.34	+26.70	+25.11
Spain	+1.16	+2.11	+44.61	+43.56	+19.95	+18.45
Sweden	+1.06	-3.86	+35.88	+33.24	+14.56	+13.13
Switzerland	+1.27	+4.74	+45.42	+38.58	+41.21	+39.43
UK	+0.79	+5.17	+21.45	+15.96	+15.96	+14.50
EUROPE	+1.21	+4.60	+31.34	+28.71	+22.89	+21.35
Australia	+1.67	+0.58	+34.29	+29.69	+28.03	+26.42
Hong Kong	+10.01	+6.64	+98.29	+88.31	+91.16	+88.75
Japan	-0.20	-6.89	+10.44	+12.26	+30.03	+28.40
Malaysia	+6.42	+8.71	+96.07	+96.21	+103.69	+101.13
New Zealand	-0.31	+4.18	+41.62	+38.77	+51.81	+49.90
Singapore	+5.01	+7.34	+63.68	+54.29	+60.45	+58.44
Canada	+0.67	+0.30	+23.28	+21.40	+17.63	+16.14
USA	-0.17	-0.36	+6.50	+6.11	+7.46	+6.11
Mexico	+6.15	+17.91	+36.68	+34.68	+36.72	+35.01
South Africa	+5.86	+9.81	+44.16	+45.90	+62.66	+60.61
WORLD INDEX	+0.63	-0.53	+16.40	+15.48	+20.29	+18.79

† Based on December 10th 1993.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 10 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY DECEMBER 9 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	158.18	-0.8	156.86	109.14	139.72	156.92	-0.4	3.28	159.51	158.13	109.55	141.44	157.60	162.83	117.39	121.19
Austria (17)	182.06	-0.5	180.55	125.62	160.82	160.38	-0.9	0.99	182.96	181.38	125.66	162.23	161.92	184.47	131.16	137.63
Belgium (42)	160.88	+0.3	159.54	110.99	142.10	141.04	-0.1	4.08	160.40	159.02	110.16	142.23	141.22	161.29	131.19	135.24
Canada (107)	134.31	-0.5	133.20	92.66	118.63	129.25	-0.2	2.59	135.02	133.85	92.72	119.71	129.49	135.71	111.41	113.37
Denmark (32)	241.64	+0.2	239.63	166.72	213.44	218.47	-0.3	1.04	241.17	239.09	165.64	213.64	219.11	241.64	185.11	199.21
Finland (23)	123.28	-0.9	122.25	85.06	108.89	147.39	-1.5	0.71	124.43	123.35	85.46	110.32	149.71	128.99	65.50	73.92
France (98)	172.05	+0.0	170.62	118.70	151.96	157.00	-0.4	2.96	172.02	170.53	118.13	152.51	157.65	173.05	142.72	144.31
Germany (60)	137.85	-0.4	136.70	95.12	121.76	121.76	-0.8	1.70	138.36	137.17	95.04	122.68	122.68	138.36	101.59	102.66
Hong Kong (55)	418.20	+2.4	414.73	288.53	369.41	414.68	+2.4	2.63	408.39	404.87	280.48	362.13	404.93	418.20	218.62	209.33
Ireland (14)	179.41	+1.3	177.92	123.78	158.47	178.09	+1.0	3.18	177.05	175.53	121.60	156.99	176.31	179.41	129.28	132.17
Italy (70)	66.85	-0.2	66.29	46.12	59.04	83.62	-0.4	2.00	66.99	66.41	46.01	59.40	83.96	78.93	53.78	54.11
Japan (469)	134.86	+0.8	133.74	93.05	119.14	93.05	+1.3	0.88	133.78	132.63	91.88	118.64	91.88	165.91	100.75	107.29
Malaysia (69)	525.88	+0.9	521.52	362.82	464.50	516.77	+0.9	1.36	521.22	516.73	357.96	462.15	512.29	525.88	251.66	268.32
Mexico (18)	2224.81	-1.0	2206.34	1535.02	1965.19	7571.13	-0.8	0.65	2248.30	2228.89	1544.12	1993.54	7631.40	2248.30	1410.30	1622.88
Netherland (26)	195.76	+0.3	194.14	135.07	172.92	169.94	+0.0	3.12	195.17	193.49	134.04	173.06	169.96	197.07	150.39	154.55
New Zealand (14)	84.29	-0.3	83.76	44.36	58.79	61.49	-0.2	3.81	64.46	63.91	44.28	57.16	61.62	68.38	40.56	42.24
Norway (23)	172.29	+0.1	170.86	118.88	152.19	172.41	-0.4	1.48	172.15	170.67	118.24	152.55	173.15	185.10	137.71	145.88
Singapore (39)	338.05	+3.5	335.25	233.24	298.60	248.87	+3.4	1.29	326.73	323.91	224.40	289.71	240.61	338.05	207.04	201.93
South Africa (60)	237.87	-0.3	236.89	164.11	210.10	229.28	-0.2	2.39	238.57	236.51	163.84	211.59	229.69	238.57	144.72	151.47
Spain (42)	138.12	+0.1	136.97	95.30	122.00	145.28	-0.1	4.11	137.92	136.73	94.73	122.29	145.50	145.24	115.23	117.64
Sweden (36)	187.29	-1.2	185.73	129.22	165.44	230.95	-0.9	1.51	189.52	187.88	130.16	168.05	232.94	208.92	149.70	166.32
Switzerland (60)	157.57	+0.7	156.26	108.72	139.20	142.28	+0.0	1.52	156.44	155.09	107.45	138.73	142.28	157.57	108.91	112.80
United Kingdom (216)	197.35	-0.3	195.71	136.15	174.31	195.71	-0.2	3.67	197.90	196.19	135.90	175.45	196.19	198.06	162.00	168.82
USA (518)	188.98	+0.0	187.41	130.39	166.93	188.98	+0.0	2.75	189.03	187.40	129.83	167.62	189.03	191.56	175.38	177.05
Europe (748)	165.05	-0.1	163.68	113.88	145.80	158.20	-0.3	2.87	165.22	163.80	113.48	146.51	158.71	165.22	133.92	134.53
Nordic (114)	182.99	-0.7	181.47	126.26	161.64	193.27	-0.6	1.29	184.34	182.75	126.60	163.45	194.80	194.54	142.13	152.53
Pacific Basin (715)	146.35	+0.9	145.14	100.98	129.28	104.65	+1.3	1.15	145.08	143.83	99.64	128.64	103.33	168.60	105.89	111.30
Euro-Pacific (1463)	153.99	+0.4	152.71	106.24	136.01	125.27	+0.6	1.92	153.32	151.99	105.29	135.94	124.57	162.86	117.26	120.70
North America (625)	185.56	-0.1	184.02	128.05	163.94	184.67	-0.0	2.74	185.66	184.06	127.52	164.65	184.94	187.68	171.51	173.10
Europe Ex. UK (533)	144.56	+0.0	143.36	99.76	127.71	136.14	-0.4	2.35	144.54	143.30	99.28	128.13	136.66	144.56	112.51	113.96
Pacific Ex. Japan (246)	256.25	+1.2	254.12	176.83	226.37	236.83	+1.4	2.50	253.09	250.90	173.85	224.43	233.66	256.25	152.70	150.70
World Ex. US (1649)	155.72	+0.4	154.43	107.45	137.56	128.33	+0.5	1.92	155.14	153.80	106.55	137.56	127.68	162.89	118.51	121.72
World Ex. UK (1952)	162.81	+0.3	161.46	112.34	143.83	142.51	+0.4	2.07	162.38	160.96	111.51	143.97	141.98	168.56	134.22	136.63
World Ex. So. Af. (2107)	165.42	+0.2	164.05	114.14	146.13	146.46	+0.3	2.23	165.04	163.62	113.36	145.35	146.00	170.46	137.29	139.46
World Ex. Japan (1698)	183.72	+0.0	182.20	126.77	162.31	179.53	+0.0	2.74	183.70	182.12	126.13	152.91	179.61	183.72	157.47	157.73
The World Index (2167)	165.83	+0.2	164.45	114.42	146.49	147.14	+0.3	2.24	165.46	164.03	113.64	146.72	146.69	170.68	137.32	139.43

Latest prices were unavailable for this edition.

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